Austria	Sch22	Indonesia	[illegible]	Philipines	Pesos40
Bahrain	Din0.650	Iran	[illegible]	Portugal	Esc120
Belgium	BFr60	Israel	[illegible]	S.Arabia	Rls7.00
Canada	C$1.00	Italy	L1700	Singapore	S$4.10
Cyprus	[illegible]	Japan	[illegible]	Spain	Pta145
Denmark	[illegible]	Jordan	[illegible]	Sri Lanka	[illegible]
Egypt	E£2.25	Kuwait	[illegible]	Sweden	[illegible]
Finland	Fmk7.00	Lebanon	[illegible]	Switz	[illegible]
France	[illegible]	Lux	[illegible]	Taiwan	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Thailand	[illegible]
Greece	Dr120	Mexico	[illegible]	Tunisia	[illegible]
Hong Kong	[illegible]	Morocco	[illegible]	Turkey	[illegible]
Iceland	[illegible]	Neth	[illegible]	UAE	[illegible]
India	[illegible]	Norway	[illegible]	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,736 Φ

Friday January 6 1989

D 8523A

TECHNOLOGY

Detecting plastic explosives

Page 7

World News

Munich express crashes in Yugoslavia

At least seven people were killed and 100 injured when an express train from the West German city of Munich collided with a truck on a level crossing north of the Yugoslav capital Belgrade. Other passengers were feared trapped in the wreckage.

Sakharov to stand

Dr Andrei Sakharov, Nobel Peace Prize-winning nuclear physicist and spiritual father of Soviet dissidents in the 1970s, was nominated for election to the new Soviet parliament. Page 2

Israel austerity plan

Israel's cabinet debated unprecedented budget cuts designed to reduce inflation and stimulate growth after expansion of only 1 per cent in 1988. Page 3

US budget splits

Disagreements about the scale of US budget cuts emerged as negotiations on the Federal budget for 1990 opened between Congressional leaders and the incoming Bush budget team led by Richard Darman. Page 4

Indian troop pullout

India announced that it had withdrawn one battalion of its 50,000 troops in Sri Lanka, at the request of President Ranasinghe Premadasa, with a second battalion due to go home on January 8.

Sikhs due to die

Militant Sikh groups have threatened to "set the nation on fire" if two men, convicted of involvement in the assassination of Indian Prime Minister Indira Gandhi in 1984, are hanged today, as scheduled.

China denies torture

China denied allegations by African students that they had been tortured by police after a racial clash in Nanking.

Afghan peace talks

Soviet envoy Yuli Vorontsov met Pakistani Foreign Minister Sahabzada Yaqub Khan and President Ghulam Ishaq Khan to discuss the formation of a broad-based Afghan government. He is expected to see Afghan rebels today. Mujahideen divided, Page 3

AWB leader stays on

South Africa's Eugene Terre Blanche, whose neo-Nazi Afrikaner Weerstandsbeweging movement has been split by allegations about his private life, said he had no intention of stepping down as party leader.

Hirohito weakens

Japan's Emperor Hirohito, who has been critically ill since September, appeared weaker as successive blood transfusions failed to increase his blood pressure. Market reaction, Page 34

Angola pullout due

The first 3,000 Cuban troops to be withdrawn from Angola under recent accords with South Africa will begin to leave on January 10, President Fidel Castro announced.

Italian CP vindicated

The Soviet Communist Party has moved to heal an ideological and highly symbolic breach with its Italian counterpart by acknowledging the justice of criticisms of Soviet policies made by the Italian Communist leadership seven years ago. Page 2

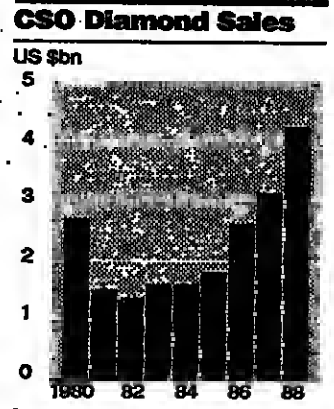
Business Summary

Drexel says junk bond operation stays put

DREXEL Burnham Lambert, embattled US investment bank, insisted it would not move junk bond operations – source of its profits, power and tangles with the law – from Beverly Hills to Wall Street as part of settlement of securities law violations with federal prosecutors and regulators. Page 12

DIAMOND sales through Central Selling Organisation, London-based marketing arm of De Beers Consolidated Mines

CSO Diamond Sales



of South Africa, rose to record $4.172bn last year. Page 12; Israeli sales sparkle, Page 22

PEUGEOT chairman Jacques Calvet sharply criticised French Government decision to write off FFr12bn ($2bn) worth of debts at Renault, rival state-owned car company. Page 13

JOHN Brown, engineering subsidiary of UK's Trafalgar House construction, property, shipping and hotels group, announced acquisition of 35 per cent stake in Sofresid, France's second-largest process plant developer after Technip. Page 13

WILLIAM Collins directors are expected to recommend acceptance of News International's £403m ($729m) offer for British book publisher, subject to various conditions on independence and future growth. Page 13

PEAUDOUCE, subsidiary of Sweden's Svenska Cellulosa forest products group, announced launch of environmentally sound diapers on to £330m ($595m) annual British market. Page 5

PLESSEY, embattled UK electronics group, has joined $4bn European research project into next generation of semiconductor technology, after winning financial backing from UK Government. Page 12

DAF BV, Dutch truck maker, more than doubled net profit in 1988 to Fl 140m ($70m), increasing likelihood of flotation in London and Amsterdam during first half of this year. Page 13

UK personal savings as proportion of income fell to record low in three months July to September last year, as consumer spending surged ahead of income growth. Page 5; Lex, Page 12

AMSTERDAM Stock Exchange tabled diluted proposal to regulate scope of anti-takeover mechanisms for companies to be listed on bourse in the future. Page 16

BANK for International Settlements reported sharply increased lending by 16 member banks to Soviet Union in first half of 1988, mostly in form of short-term credits. Page 16

UNIT TRUSTS: The Financial Times is expanding its coverage of Unit Trusts, which appear today on Pages 24-27. As a result the Crossword will appear daily, except for Saturdays, on the Currencies page.

US calls on allies for joint action over Libyan plant

By Lionel Barber in Washington, Quentin Peel in Moscow and John Wyles in Rome

THE US moved yesterday to galvanise its allies into united action against Libya – which Washington says is on the verge of producing chemical weapons – as the UN Security Council prepared to meet in emergency session to discuss the shooting down of two Libyan fighter aircraft by the US on Wednesday.

Mr George Shultz, Secretary of State, faced severe criticism yesterday from the Soviet Union over the US stance on Libya, while Western European allies seemed concerned about possible further American military action.

The US and Britain both say that a recently built chemical plant near Tripoli is capable of making poison gas and other chemical weapons. But Colonel Muammer Gadaffi, the Libyan leader, says it will produce medicines.

At an international conference on the proliferation of chemical weapons in Paris this weekend, Mr Shultz will push for an increase in the UN Secretary-General's powers to investigate charges of the use of chemical weapons and will seek tough UN trade sanctions against countries using such weapons.

Washington continued yesterday to stress that the US pilots who shot down two Libyan MiG-23 fighters had acted in self defence and reiterated that tha action had no connection with the Libyan chemical plant.

However, a senior official said the Administration hoped that the combination of recent events would put pressure both on Col Gadaffi, and on Europe and Japan to respond to US concerns about the chemicals plant.

The official said: "Maybe this will light a fire under the allies and galvanise them into doing serious things about this (plant)."

Allied leaders, among them Mrs Margaret Thatcher, the UK Prime Minister, are reported to have voiced strong opposition to President Ronald Reagan's earlier hint of a military strike against the chemical complex, located in the mountains 40 miles south-west of Tripoli. Mr Reagan is said no longer to favour the idea, and the Pentagon has also voiced reservations.

US officials say Washington wants an end to technical assistance with construction of the plant from Western companies.

Yesterday West German investigators cleared Imhausen-Chemie, the West German company, of US allegations that it had helped to build the plant.

The Administration wants to prevent European countries normalising commercial relations with Libya which it still believes sponsors international terrorism.

Mr Shultz said the US had aerial photos of the Rabta plant that showed "unusual characteristics" for a pharmaceutical plant such as "all sorts of anti-aircraft special security around it".

The Soviet Union yesterday accused the US of "adventurism and state terrorism" in its anti-Libyan campaign. Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, warned that US hints of military action against the chemical plant would not help achieve a positive outcome from the Paris conference.

He denied that the Soviet Union had received any request from Libya to provide naval support in case of a US attack, insisting that the Soviet Mediterranean fleet was "on a routine duty exercise," just as the US fleet claimed to be.

However, he said: "We are in permanent contact with Libya on the situation."

Mr Andrei Vtovin, Libyan desk officer at the Soviet Foreign Minister, said the US had informed the Soviet Union about its suspicions over the Libyan chemical plant, "but there were no firm proofs of this."

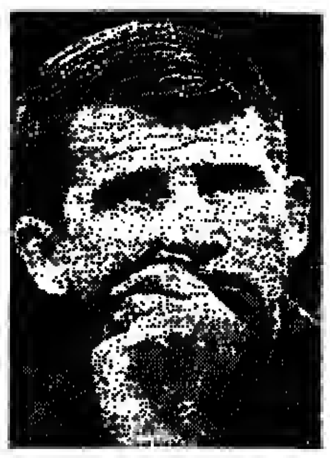
Earlier, Lieutenant-General Anatoly Kuntsevich, deputy head of Soviet chemical forces, said he did not believe Libya had the "industrial capacity sufficient for the production of chemical weapons in an amount that would be enough for conducting warfare."

He said it would be unreasonable for the US to attack the suspect plant, which he said produced medicines.

In Western Europe meanwhile, irritated Italian ministers last night accused the British Government of blocking all attempts to put together a common European Community statement on the tensions in the Mediterranean.

The British Government, which has firmly supported the US, regards the shooting incident as closed. Officials at the Foreign Office in London said they saw no need for a joint European statement.

Analysis, Page 3



North: right to information

Key charges against North may be dropped

By Lionel Barber in Washington

MR Lawrence Walsh, US special prosecutor in the Iran-Contra case, yesterday requested the dismissal of key criminal conspiracy charges against Colonel Oliver North, the former White House aide.

The request marks a considerable setback for Mr Walsh's case. But the US Administration's concern over the disclosure of classified information appears to have forced tha special prosecutor's hand.

The request, if granted by the judge presiding over the case, would remove the central charges against Col North stemming from the secret sale of US weapons to Iran and diversion of profits to Nicaragua's Contra rebels.

However, Col North would still face several other charges, including obstruction of justice by shredding White House documents and making false statements to Congress about his role in the Administration's biggest scandal.

Adminstration officials have denied speculation that they are using the classified documents issue to block the trial, which could prove embarrassing to President Ronald Reagan and President-elect George Bush. Both have been subpoenaed to appear as witnesses along with other senior Administration officials.

In recent weeks US intelligence agencies, backed by President Reagan, have voiced concern about national security secrets that Mr Walsh and Col North plan to disclose at the trial, due to open on January 31.

Judge Gerhard Gessell, presiding, has had to balance Col North's right to classified information in his defence against the possibility that the

Continued on Page 12

Interest rates speculation boosts dollar

By Simon Holberton

THE DOLLAR continued to strengthen yesterday, buoyed by speculation over the course of US interest rates and undented by repeated, if modest, intervention by the Bundesbank.

The further strengthening in the US currency, which followed Wednesday's recovery, was largely in anticipation of a possible tightening in US monetary policy in response to today's US employment figures. They are expected to show a gain in employment.

The Bundesbank intervened a number of times yesterday and, unusually, publicly confirmed its activities. Dealers said it intervened at around DM1.79 and DM1.7935 but the dollar closed in London at DM1.7945 against a close of DM1.7875 on Wednesday. It closed in New York at $1.7935 and Y126.025.

The Bundesbank's concerns over the stronger dollar were also underlined by Dr Helmut Schlesinger, vice-president of the Bundesbank, who told a West German newspaper that the Bundesbank would maintain a restrictive monetary policy but that its anti-inflationary policy would be aided if the D-Mark were stronger.

The strength of the dollar is unwelcome for the West Germans from the point of view of helping the process of trade adjustment. This is expected to be discussed by Mr Gerhard Stoltenberg, West German Finance Minister, when he visits Washington on January 11.

Janet Bush adds: Mr Manuel Johnson, vice president of the Federal Reserve, told the House Banking Committee he did not expect interest rates to return to 1982 levels, when foreign bank prime lending rates rose to 17 per cent. His remarks helped boost US stocks to post-October 1987 crash highs.

The Dow Jones Industrial Average closed 12.86 points higher at 2,190.54 compared with the previous post-crash high of 2,183.50 on October 21.

Contributing to the surge in equities was a dip in the key Federal Funds rate below 9 per cent for the first time this week.

EC delays placing sanctions on US

By Tim Dickson and David Buchan in Brussels

THE European Community yesterday refined its plans for punitive duties on US goods in the latest twist of the transatlantic hormone-related trade war but delayed implementing them.

Ambassadors and officials of the 12 member-states broadly approved a European Commission proposal that European retaliation should take the form of 100 per cent duties on imports of walnuts and dried fruit from the US, averaging $96.6m a year in 1985-87. This matches the value and scope of the Washington's January 1 dnties on various foods imported from the EC.

However, they refused to go along with the Commission's call for putting the new measures into effect immediately, leaving the decision to EC foreign ministers meeting here on January 23.

The moves are designed to try to show continued EC firmness without seriously escalating the dispute. Even the Commission, which has taken a tougher line than most member-states, yesterday suggested a grace period allowing goods shipped before January 1 to cross the Atlantic without being hit by the Community's meat hormone ban or by Washington's new duties. US diplomats indicated they would welcome such a move.

Mr Frans Andriessen, who today takes charge of external relations in the new Commission, said yesterday that no high-level contacts with Washington were planned before the Bush Administration takes office on January 20. He said it was "logical that any major decisions" by the US would be taken afterwards bnt added that "the Community needs to defend its interests."

Spain, chairing the first important meeting of its EC Council presidency, found little support yesterday for the Commission's call. Almost all of the other member-states felt that nothing was to be lost and something possibly to be gained by waiting.

Thorn EMI buys portfolio of song copyrights for $337m

By Clay Harris in London

THORN EMI, the UK entertainment and electronics group, is to pay $337m for a portfolio of 250,000 music copyrights, including those for Singing in the Rain, Over the Rainbow and many other songs from classic US films.

Thorn said yesterday it had agreed to buy the copyrights from SBK Entertainment World, a private company which bought the music publishing interests of CBS, the US television and entertainment group, for $125m in 1986.

CBS had previously acquired many of the copyrights from the US film studios MGM and United Artists.

The deal will lift EMI Music, Thorn's subsidiary in the sector, to joint first place in the world league of music publishers, with 12 per cent of the market.

This share is equal to that of Warner-Chappell, the company created in 1987 through the takeover of UK-based Chappell by Warner Communications, the US entertainment group. At present, EMI and SBK each has about 6 per cent of the world market.

"This is a unique opportunity in such a fragmented industry," said Mr Colin Southgate, Thorn chairman.

He refused to disclose SBK's pre-tax profits, saying they were irrelevant because of planned savings in administration costs. SBK estimates that its portfolio produced income (as measured by the industry gange of "net publisher's share") of at least $37m in 1988.

Mr Southgate forecast that EMI's costs would rise by only $3m after back-office rationalisation, with the rest of SBK's income flowing straight through to the pre-interest level.

The acquisition will be funded in part through a Euro-issue of up to £100m ($180m) in convertible preference shares, with the balance covered by existing borrowing arrangements.

In a change of accounting policy, Thorn will carry the full purchase price of the SBK copyrights in its balance sheet. The treatment of existing EMI copyrights and of copyrights created in the future will not change.

Thorn does not intend to amortise these copyrights by deducting a proportion of their value from pre-tax profits each year. This would be "economi-

Continued on Page 12

Background, Page 13; Lex, Page 12,

Italy reconsiders steel closure

By John Wyles in Roma

THE ITALIAN Government yesterday chose to confront the European Community rather than rioting steelworkers in Naples by claiming the unilateral right to decide the future of steelmaking at the controversial Bagnoli plant.

After a morning in which 1,000 steelworkers had set fire to four buses, unloaded tonnes of coke on city centre streets and wrecked fixtures and fittings at the Naples railway station, the Cabinet agreed that no decision on the Bagnoli melting shop would be taken until the end of June.

This is clearly at odds with the European Commission decision, eventually ratified by all EC governments on December 21, that the closure of Bagnoli's steel melting area "must be completed by June 30 1989." This would cut employment at the plant from about 3,200 to 850.

The Community's unanimous agreement – given very reluctantly by West Germany – to a L5,189bn ($3.96bn) refinancing of the Italian public steel industry was made conditional on the closure of 3.425m tonnes of steelmaking capacity in Naples and elsewhere.

Ministers struggled after yesterday's meeting to put a common gloss on their position. Mr Carlo Fracanzani, the Industry Minister who negotiated the deal in Brussels, was clearly too embarrassed yesterday to try to disown it.

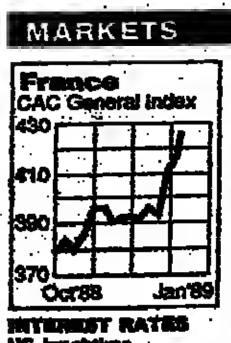
Not so Mr Gianni De Michelis, the Deputy Prime Minister, who claimed that the EC decision "does not necessarily mean" the closure of steelmaking at Bagnoli. The decision was one for the Italian Government and not for Brussels.

This is not a view likely to be shared by the Commission which will probably be thinking of taking Italy to the European Court on July 1 if Bagnoli is still making steel.

Continued on Page 12

MARKETS

France
CAC General index



INTEREST RATES
US lunchtime
Federal Funds 8$\frac{11}{16}$% (9$\frac{1}{8}$).
3-mth Treasury Bills: yield: 8.57% (8.51)
Long Bond: 99$\frac{1}{32}$ (99$\frac{1}{16}$)
yield: 9.08% (9.08)
London
3-month interbank: close 13$\frac{1}{32}$% (13$\frac{1}{32}$)

STERLING
New York close
$1.7935 (1.80875)
London:
$1.7980 (1.8075)
DM3.2275 (3.2300)
FFr11.0200 (11.0250)
SFr2.7500 (2.7450)
Y225.75 (226.0)

DOLLAR
New York close
DM1.79975 (1.78775)
FFr6.1445 (6.0905)
SFr1.53775 (1.51925)
Y126.025 (125.00)
London:
DM1.7945 (1.7875)
FFr6.1300 (6.1000)
SFr1.5300 (1.5190)
Y125.60 (125.00)

GOLD
New York latest
Comex Feb
$410.2 (410.1)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,190.54 (+12.86)
S&P Comp
279.92 (+0.99)
London:
FT-SE 100
1,799.5 (+6.5)
World:
140.39 (Wed)
Tokyo
Nikkei Ave
30,183.79 (-59.87)
Frankfurt
Commerzbank
1,705.6 (+4.2)

OIL
Brent 15-day (Argus)
$16.9 (+0.25) (Jan)
West Tex Crude
$17.235 (-.13) (Feb)

CONTENTS

Perestroika poses problems for West Germany's Communists

Herbert Mies, chairman of the West German Communist Party, has watched Chancellor Halmut Kohl building bridges with Moscow and robbing the Communists of much of their appeal and their major policy platform
Page 2

Why doesn't your airline sell Swatch watches?

By Mati Weiderpass in Bienne, Switzerland

IT'S NOT only tha world's favourite watch. Swatch also won the Frontier Oscar Award. As Best Product of the Year it swept the duty free market off its feet. Not least for its unique profitability: Pound for pound a Swatch is worth 24 times its weight in scotch. And in terms of volume it yields 18 times as much as a carton of cigarettes. No wonder over 50 airlines worldwide treat themselves to Swatch. Can your airline afford to do without? Call today 010 41 32 42 95 81.

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Obsession with exports blinds West Germany to the rules

By David Goodhart in Bonn

IT IS no surprise that West German companies have featured prominently in US allegations about European and Japanese aid in the construction of a possible chemical weapons plant in Libya.

For throughout the 1970s and 1980s West German companies – both wittingly and unwittingly – have been responsible for the sale of sensitive technology, including nuclear weapons technology, to Pakistan, Argentina, Brazil, South Africa, Israel and others.

Notwithstanding the difficulty for companies in establishing how or by whom a product will finally be used, successive West German governments appear to have been strangely lax in controlling exports which break both the country's own export laws and those in international agreements.

This relaxed attitude is particularly odd given that the Nazi period has bequeathed much tougher national rules against selling arms than other industrial countries.

And there is nothing that Mr Hans-Dietrich Genscher, the Foreign Minister, likes better than rehearsing the arguments for a worldwide chemical arms ban in international forums.

But, according to US officials and some voices in the West German media, the laxity on sensitive exports is not merely a question of government being unaware of what the murkier parts of the private sector are up to.

They argue that feeble application of tough export controls is an integral part of the country's export-obsessed national culture – itself the product of a sublimation of more conventional forms of nationalism.

Some officials claim that when, in response to US pressure, the Foreign Ministry asks the Economics or Finance Ministry to take action against illegal exporters, the latter two ministries tend to protect the alleged miscreant.

The authorities' slowness to respond in several recent cases certainly seems beyond doubt.

The pre-Christmas announcement that two Hesse concerns were being investigated for selling potential bomb-making equipment to Pakistan, India and South Africa, seems to have stemmed from US information first handed over four years ago.

And although none of the allegations in the Libya case has stuck, the Finance Ministry only began formally investigating the named company, Imhausen-Chemie, a week ago despite being told of US suspicions in mid-November.

Another, more acceptable, explanation for apparent foot-dragging is West German legalism. One US official said yesterday that the Germans tend to be dismissive of any evidence which could not convict in a court.

More general foreign policy stances may also contribute to a tolerant attitude towards potentially dubious exports. West German governments are reluctant to go along with sanctions or other collective agreements which might damage the country's reputation as a reliable exporter.

That is partly a result of economic self-interest but also stems from the belief that trade relations help establish better political relations.

But, finally, it appears that years of pressure from the US and a spate of recent embarrassments is stimulating action to bolster the apparatus of export control.

At the end of last year Mr Helmut Haussmann, the new Economics Minister, declared that he would be presenting measures to the cabinet on January 10.

The centre-piece will be a strengthening of the Federal Economics Office at Eschborn, which is said to be severely understaffed for processing export control inquiries.

Those measures may do something to improve German-US relations which have got off to a poor start in 1989 with the Libya argument coming on top of the EC protectionism row and differences over attitudes to the Soviet Union, with potentially divisive negotiations over a reduction in low-flying to come.

US officials, however, remain sceptical that deeply ingrained attitudes can be swiftly reversed through legislation.

Italian minister in AIDS controversy

By Alan Friedman in Milan

MR CARLO Donat Cattin, the Italian health minister, yesterday found himself at the centre of a national controversy because of a letter he has written to 20m families suggesting that chastity rather than the use of the condom is the only truly adequate safeguard against contracting AIDS.

The Vatican, which is firmly against the use of condoms, has already attacked a public service television campaign which warns of the disease and which features two naked youngsters twirling round. Given the fact that this is not the first occasion in which Mr Donat Cattin has provoked debate, it is not surprising that a variety of student, Communist, gay activist and Green Party groups are now demanding the minister's resignation. Italian newspapers have been devoting acres of space to the minister's letter, sent a few days ago to practically every family in the country.

While there are signs that the "AIDS-Chastity affair" (as it is being called) will prove to be just another of Italy's 72-hour scandals, Mr Donat Cattin has come under fire for what is seen by his critics as improper moralising by a politician. "If Mr Donat Cattin wants to be a moralist then he should exit from the government," suggested the Republican Party. The Communists meanwhile are accusing the stern-faced minister of "entering the homes of all Italians to inflict his personal prejudices."

Mr Donat Cattin, in his controversial letter, tells Italians that the condom "is far from being an absolute protection from AIDS." Professor Elio Guzzanti, vice-president of the national anti-AIDS committee, pointed out yesterday that Italian manufacturers of condoms, unlike their US counterparts, are not subject to "any quality controls" and may thus be less safe. Prof Guzzanti added his belief that the controversy "is all a bit of a misunderstanding."

But the truth is that the Italians have not yet developed the kind of national consciousness about AIDS that one finds in places such as London or New York. There are some 2,800 known cases, a level said to be understated by around 35 per cent.

Italy, moreover, is not uniformly faithful to its reputation as a Catholic country. Mr Donat Cattin's sermonising may therefore find more of an ear in the south or among the good Christian Democrats of the Brescia valley in Lombardy than in other places where prostitution, mistresses and televised nudity place greater emphasis on the good Catholic's propensity to sin-and-confess than on ideas such as chastity.

Statistics point to slower growth in West Germany

By David Goodhart in Bonn

THE LATEST batch of West German economic statistics for the end of 1988 provide the first evidence of the slowdown in growth expected during the current year. The 1988 GNP growth rate of about 3.5 per cent is expected to slip back to 2.5 per cent during 1989.

The most *significant* evidence for the slackening in the pace of growth comes from the new manufacturing orders figures. Although orders rose 1.8 per cent (price and seasonally adjusted) in November from October and 6.4 per cent from a year earlier, the two month comparison – which is less subject to temporary fluctuations – shows a 4.5 per cent reduction on the August/September figure.

Domestic orders fell 5 per cent and foreign orders 3 per cent over the two month period, even the booming capital goods sector recorded a 5 per cent order decline. However, the Economics Ministry said that the decline did not accurately reflect an actually improved trend in order inflow, and that the fall was mainly because of a higher number of working days in August.

Industrial production provisionally fell 0.1 per cent in November from October after a revised fall of 1 per cent in October from September. November manufacturing output was unchanged on October but mining and construction fell by 2 and 4.5 per cent respectively.

The cost of living index rose in December a final 0.2 per cent on November and was 1.6 per cent up on December 1987. That brings the average index for the year to 1.2 per cent over the 1987 level which compares with a rise of only 0.2 per cent in 1987 over 1986.

Inflation is expected to rise further in 1989 partly because of new federal taxes, which take effect this month, on fuel, tobacco and other consumer products.

Mr Giles Keating, economist at Crédit Suisse First Boston, said it was partly this squeeze on consumer income that was contributing to a "growth pause" in the first part of 1989.

Last minute hitches over CST

By Judy Dempsey in Vienna

GREEK-TURKISH differences were yesterday holding up final agreement on the mandate for talks on conventional arms in Europe, but diplomats remained confident of agreement by Sunday.

A long-running Turkish-Soviet disagreement over which parts of Turkey should be covered by the Conventional Stability Talks was cleared up on Wednesday, amidst eophoria over US-UK acceptance of the idea of a human rights conference in Moscow.

The Soviet Union accepted the Turkish position on which parts of Turkey's eastern region should be exclnded. Greek diplomats then took exception to the proposed exclusion of Mersin, from which the Turkish invasion of Cyprus was launched in 1974.

Diplomats were also trying to iron out differences over the status in the CST of the Azores, the Canary Islands and Madeira.

Foreign ministers of the 35 participants in the Conference on Security and Co-operation in Europe (CSCE) have been invited to Vienna on January 16 to wrap up the long-running wider talks which have paved the way for the CST.

Diplomats were focusing on March 6 as the starting date for the arms talks.

Meanwhile, Canada yesterday said it had not yet reached a decision on the human rights conference in Moscow.

Canada wanted stronger language on human rights in the final CSCE document; assurances that journalists and non-governmental organisations would have access to the Moscow conference and "evidence of substantial and continuing improvement in the Soviet human rights record."

There were also lingering problems over Romania's hard-line stance on human rights.

Yesterday, its delegation presented 17 points to the authors of the final draft covering religious freedom and human rights. These were rejected on the grounds that Romania could have made its objections earlier.

Soviet Union to adopt range of W German product standards

By Andrew Fisher in Frankfurt

THE SOVIET UNION'S increasing desire to improve the quality of its products for both its own people and export markets will be demonstrated at the end of this month in an agreement to be signed with West Germany on industrial standards, an area where Germans are world leaders.

Mr Helmut Reihlen, director of West Germany's industrial standards body, the Berlin-based DIN Deutsches Institut für Normung, said the Soviet Union was keen to apply West German *standards* to produce goods which were more competitive in price and quality.

Reflecting the Soviet Union's more pragmatic approach, it has agreed to sign the deal in West Berlin, having long insisted this should be done to Bonn, the federal capital. Situated inside East Germany, West Berlin is West Germany's biggest industrial city but officially controlled by the Western allies: the US, Britain, and France.

"The Soviets see us as a state organisation and thus don't see why we should be in Berlin," said Mr Reihlen. Actually, DIN is an independent organisation, receiving both government and industrial funding. "We said that if the agreement is to be signed, this must be in Berlin to show there is no discrimination."

Coming to the city to sign the outline agreement for the Soviet side on January 30 will be Mr Georgiy Kolmogorow, president of the State Committee for Standards. "This will be not so much concerned with high technology goods as with normal quality assurance," said Mr Reihlen. With no free market, consumers could exercise little influence on quality, which was under the control of a host of state overseers. "Here, if a product isn't good, the customer doesn't buy it."

The agreement will be similar to one signed 10 years ago with China, which now uses some 5,000 DIN standards. As well as quality assurance, the areas covered will be computer-aided design and standards in computerised form, the setting up of a data bank for Soviet use, and application of standards at plant level.

EC adopts more rules on quality

By William Dawkins in Brussels

THE LATEST small bricks prepared for building the European Community's single market are common safety and quality requirements for four diverse categories of industrial and consumer goods.

The European Commission has drafted safety rules for mobile machines, mainly used in construction and agriculture; gas appliances like cookers and central heating boilers; and heart pacemakers.

It has also tabled common technical requirements for most kinds of weighing scales.

They are all part of the EC's so-called new approach to industrial standards, whereby goods are *allowed* to be sold freely across the Community so long as they conform with basic performance and safety requirements.

This is expected to save manufacturers the significant cost of adjusting product designs to the rules of 12 different national standards bodies, identified in Commission studies as one of the biggest barriers to cross-border trade between EC countries.

The draft directives need to be cleared by a qualified majority of the 12 EC governments to take effect. Technical details – formerly dealt with by the Commission – would then be left to national authorities and the *European* standards bodies Cen and Cenelec.

The mobile machines proposal is the most important in yesterday's package. It will mainly benefit producers of farm and construction equipment, like combine harvesters and road-building machines, who complain that they are prevented from selling in other EC countries by a web of conflicting national safety standards.

It is also intended to guarantee minimum safety standards for workers using that kind of equipment.

Mobile machines were to have been included to a separate directive on machinery standards, but were dealt with separately because they needed special safety rules.

The gas proposal, meanwhile, is estimated to cover more than 15m new appliances sold across Europe annually, used by industrial and private customers.

Brussels to take tougher line on public purchasing

By William Dawkins

A CLAMPDOWN has been launched on EC public authorities which show too much favouritism for local suppliers or contractors for Community-funded projects.

The European Commission yesterday strengthened its powers to withhold grants and loans from public purchasing bodies flouting EC rules stipulating open tendering for big supply and works contracts. This will have a wide impact because of the increase in Community social and regional spending planned from this year's Ecu9.3bn (£6bn) to Ecu14.4bn in 1993.

The new rules will also apply *to all other kinds* of EC financial support, including the steel, atomic energy, transport and Mediterranean funds.

Commission officials estimate that the immediate effect will be roughly to double to 10,000-14,000 annually the number of contracts over which Brussels can exert this kind of direct influence. The aim is to make it harder for public authorities to divert EC regional policy money to support their own different regional preferences.

Tendering for any public project receiving Community cash must be conducted openly, *as is the rule for most* kinds of public procurement. But public authorities will also be obliged to report to Brussels on the procurement procedures used in spending every tranche of EC cash, something they do not have to do when spending their own money.

Hungarians polled on pluralism

ONLY HALF of Hungarians questioned in a recent public opinion poll believed the Communist party would retain its leading role if a multi-party system were introduced, writes Leslie Collit in Berlin.

Some 47 per cent of respondents in Budapest and 54 per cent in the southern town of Szigetvar thought the party would continue to dominate Hungarian life.

The opinion survey was published in the independent newspaper Reform.

More flee from East Germany

By Leslie Colitt in Berlin

MORE East Germans fled to the West last year than at any time since the period following the building of the Berlin Wall in 1961. The number rose to 9,700, a third more than in the previous year.

West German sources said that in addition nearly 10,000 East Germans failed to return home from visits to West Germany. One reason given for the sharp rise was that hopes aroused by the visit in 1987 to West Germany of East Germany's leader, Mr Erich Honecker, had been dashed. Another factor was the absence of fatal border shootings in the past 18 months.

East Germany at the same time said that 6.7m visits had been *made* by East Germans last year to West Germany and West Berlin.

The West German Government yesterday welcomed the record number of East German visitors but called on East Berlin to lift travel restrictions for the majority of citizens.

Nearly 5.5m West Germans and West Berliners visited East Germany last year. This was the largest number since before 1981 when East Germany introduced a compulsory currency exchange

Ozal likely to see more resignations among aides

By Jim Bogener in Ankara

FURTHER departures look likely soon to undermine the formerly closeknit team of Mr Turgut Ozal, Turkey's Prime Minister, stunned already by the sudden resignation of his deputy premier Mr Kaya Erdem, on Thursday. According to Treasury sources, their head, Mr Yavuz Canevi, will retire after a month's holiday.

Three of his most senior aides may also be transferred abroad the Treasury sources said, in what appears to be a clean sweep of its upper echelons. They are his deputy, Mr Ali Dincmen, the head of the banking and foreign exchange section Mr Ali Kocaturk, and the chief of the public sector, *Mr Osman Birsen*.

Istanbul banking sources said last night that Mr Canevi was unhappy at being sidelined from economic policy making of late. He was not told in advance of a sudden freeing of interest rates in October, for example, they added.

Only a year ago, Mr Canevi was identified as part of a so-called troika, also including central bank governor Mr Rusdn Saracoglu, and state planning organisation head Mr Ali Tigrel, committed to clawing back *on overheated growth* from the profligacy of election spending in 1987.

Although publicly disagreeing with the government over interest rates, Mr Saracoglu has stressed he will stay on to do his job. Other rumours of resignations among the Western-edncated technocrats brought in by Mr Ozal to overhaul the economy so far have not been confirmed.

Although growth has been curbed to about 5.2 per cent according to the state Institute of Statistics (SIS), inflation still remains high, at around 75 per cent in the 12 months to the end of December.

This was more than 10 percentage points than in the previous month, but Turkish press reports said the government had delayed the introduction of price rises until after the SIS had completed its inflation calculations.

Mr Canevi was appointed central bank governor in 1984, shortly after the return to civilian rule. He was moved to the key post of Under Secretary of Foreign Trade and the Treasury in 1987. So far no successor to him in the latter post has been announced.

West German Communists face perestroika poser

David Marsh explains the party's ebbing support as it meets for a national conference in Frankfurt

MR Mikhail Gorbachev's reform policies have brought some distinct problems for the West German Communist Party (DKP), traditionally among the most orthodox of western Europe's Communists.

For much of the history of the Federal Republic, the West German Communnists have faced an uphill struggle in the *face of a virulent fight against* Marxism by successive Bonn governments. Banned as anti-constitutional in 1956, re-established in 1968, the Communists have never managed to secure a hold over the electorate.

The Communists have been represented in the national parliament only once – between 1949 and 1953 – when *the DKP's forerunner*, the KPD, sent 15 deputies to the Bundestag. In the January 1987 general election, a DKP-backed "peace list" polled just 0.5 per cent of the votes – less than the neo-Nazi NPD.

Growing East-West detente in the last two years might have been expected to revive the DKP's fortunes. But now that all the established political parties favour building bridges with Moscow, the DKP finds it has even lost its novelty value.

"We used to have the monopoly of peace efforts," says Mr Herbert Mies, 59, who has chaired the party since 1973 and will face a major internal squabble at the DKP's national conference in Frankfurt starting today.

He claims that the DKP has *played its part in prompting* better understanding between Bonn and Moscow. But part of its policies have been taken over by other parties, not only the Social Democrats and the Green ecology group, but also Chancellor Helmut Kohl's Christian Democrats.

"We have not reaped the fruits," said Mr Mies, a cheer*ful, dishevelled man* to a *bur*gundy red pullover, in an interview in his office in Düsseldorf.

Faced with shrinking membership and a waning of support among workers in heavy industry, the DKP is showing signs of internal dissent. Mr Mies puts membership at around 50,000, down from 75,000 a few years ago. The *government's* domestic intelligence agency, the Bundesamt für Verfassungsschutz (BfV), says membership at the end of 1987 was much lower, at around 38,000.

At the party conference the mainstream of the DKP will face a showdown with a reformist wing which wants to break down old rigidities by bringing in a strong dose of glasnost and perestroika.

Mr Mies says he is a strong *supporter of* Mr Gorbachev's reforms. "It was clear to me right away that there was no alternative to perestroika in order to restructure the Socialist system," he says firmly.

Mr Mies has just returned from an image building trip to see Mr Gorbachev in Moscow at the end of December. Showing the way the DKP's policies *have become almost* part of the West German mainstream, Mr Mies outlined defence recommendations in Moscow which are little different from the present views of the SPD.

He sees economic reforms, and democratisation in the Soviet Union as "making our socialist ideas more convincing" and increasing "attractiveness" *for western voters.*

But Mr Mies has been put in

Mies: pressure from reformers

an uncomfortable position by the reluctance of the DKP's "brother party" – the ruling communist SED in East Germany - to embrace Mr Gorbachev's course.

The SED and DKP are very close, with the East Berlin party providing training, medical, and recreation facilities for the DKP as well as financial support. Mr Mies however hotly denies the BfV's claim that East Berlin sent his party DM65m (£20.4m) last year by clandestine channels.

East German reticence about the change of wind to Moscow has in effect split the DKP's loyalties.

Mr Mies admits that East Germany is confronted by "contradictions" in trying to meet "without eruptions" the newly-awakened needs of its population.

The communist leader also gives a warm welcome to the polices of the Kohl government of increasing political, economic and human contacts with East Berlin. But he underlines the divergent motives.

"The Federal Republic's motive is to fulfil the constitutional goal (of German reunification). They understand cooperation as a vehicle, or a lever for binding East Germany to the Federal Republic." East Berlin, on the other hand, sees increased bilateral links as fulfilling the "historical maxim" of preventing war, and as a means of "developing as a separate state," Mr Mies says.

He shares the view of some leading West German Social Democrats – and also of a few conservatives – that cooperation between the two German states could be eventually given an "institutional" form. Joint committees, for instance, could be set up to handle policy matters.

Of course, he is not happy with all aspects of Mr Kohl's policies. If the Christian Democrats accepted fully the "reality" of the division of Germany by recognising separate East German citizenship, then East Berlin would be likely, as a quid pro quo, to allow more travel freedom for its citizens, Mr Mies says.

He also terms as a "relic from the Cold War" the official line in the Federal Republic that the DKP is a threat to the *constitution. The danger* that the DKP could be banned like the KPD still hangs over the party "like a sword of Damocles," he says.

"The official suspicion of the DKP has its roots in the old policy bracketing Communism with fascism as enemies to the Federal Republic," Mr Mies says. Times have since changed. But the veteran DKP chief must also be reflecting that, if the dialogue with Moscow becomes any more popular among Mr Kohl's conservatives, then the DKP might lose its reason for existence altogether.

Sakharov to stand for parliament

By Quentin Peel

DR ANDREI SAKHAROV, the Nobel Peace Prize-winning nuclear physicist and spiritual father of Soviet dissidents in the 1970s, was nominated yesterday for election to the new Soviet parliament.

He won a big majority of votes in the Institute of Physiology of the Soviet Academy of Sciences, to be put forward as a candidate in the elections to the Congress of Deputies, to be held at the end of March.

The news came as it was announced that a *full-scale* plenary meeting of the Communist party's central committee will be held next week to select the party's own candidates.

There is growing concern at the lack of economic results from the perestroika *reform* process, and worries among reformers at the dangers of a conservative backlash.

The official news agency, Tass, reported last night that apart from Dr Sakharov, another surprise nomination was of a top Moslem leader in the republic of Tadzhikistan. He is Akhbar Kakharov, Chief Qadi of Tadzhikistan, chosen by the local branch of the Soviet Peace Fund.

Fraga regains AP leadership

Mr Manuel Fraga won a two-month battle yesterday to *regain the leadership of the* main Spanish right-wing party, Alianza Popular (AP), and vowed to turn it toto a wide centre-right group to win power from the Socialists in elections to be held in 1990, Reuter reports from Madrid.

Mr Fraga (66) was left as the only candidate after his rival, Mr Antonio Hernandez Mancha, stepped down in the face of dwindling support.

Mr Fraga, who founded AP in 1976, resigned from the leadership two years ago after two successive election defeats at the hands of the Socialist Workers' Party (PSOE).

Moscow tells Italian Communists they were right all along

By John Wyles in Rome

THE SOVIET Communist Party has moved to heal an ideological and highly symbolic breach with its Italian counterpart by acknowledging the justice of criticisms of Soviet policies made by the Italian Communist leadership seven years ago.

The Italian party (PCI), the largest Communist grouping in the Western world and one of its most "revisionist," has watched the unfolding of Mr Mikhail Gorbachev's perestroika with a growing sense of vindication.

The freeze in relations between the two parties which began in 1980 has been steadily thawing in the past two years, but until now it has lacked any re-examination by Moscow of the issues which led to the breach.

This process appears to have begun with a long article on the PCI to the Soviet party's theoretical journal, Kommunist, which admits the basis for Italian criticisms of the occupation of Afghanistan and the military crackdown on the Solidarity movement in Poland. It also regrets that information on the PCI available in the Soviet Union has been inadequate and sometimes "tendentious" and praises the Italian party for its powers to generate ideas, which, "though not always without errors, contribute without doubt to the development of social thought."

But for Italian Communists the most resonant lines to the Kommunist article refer to the statement made by the PCI central committee in January 1982 that the Soviet model of socialism, enthroned by the October revolution of 1917, had "lost its propulsive force." The author, Vladimir Naumov, recognises that socialism had begun to lose its dynamism and "one should not blame the PCI for saying so, given that it was right to say so."

The Academy of Sciences historian highlights the parallels between the new thinking to the Soviet Union and longstanding PCI positions not previously valued in Moscow. Italian Communists, he writes, consider socialism and democracy "inseparably linked" and many of the PCI's ideas and theoretical conceptions "were not properly judged on our part."

This may have been a reference to Pravda's view of January 1982 that the PCI had been guilty of "sacrilege" in accusing Moscow of "power politics" and was directly aiding "imperialism and anti-communism."

It is not clear how much Moscow's mea culpa will help the PCI's desperate attempt to halt the slide *in its* domestic political popularity. The party's late leader, Mr Enrico Berlinguer, won enormous personal prestige from leading the break with Moscow, but stronger doses of revisionism since his death in 1984 have still not prevented the PCI's decline.

The main benefit of the Kommunist olive branch may be to the party's self-confidence, freeing energies to complete its transformation into a mainstream European social democratic party.

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OVERSEAS NEWS

Manila presses US and Japan for mini-Marshall Aid

By Richard Gourlay in Manila

THE PHILIPPINES is pushing for early talks with Japan and the US for a promised multi-billion dollar aid programme similar to the Marshall Plan which relaunched post-war Europe.

Mr Ernest Leung, a finance under-secretary, told Congress on Wednesday the Government hopes at least 18 donors could attend a pledging ceremony for the five-year Philippine Aid Plan in Tokyo in June. The aid, which donors say could amount to $5bn, would help finance the budget deficit and payments of the country's $28.9bn of international debt.

Mr Leung and US aid officials said the programme would be discussed with US Senator Richard Lugar, a key author of the so-called mini-Marshall plan, when he arrives in Manila today.

Whether the massive international aid plan takes off depends on whether the Philippines allows the US to remain in strategically important military bases beyond 1991 when the current lease runs out, Asian and Western diplomats say. US officials privately acknowledge this linkage and say Congress would not approve additional aid if Manila ejected the bases, a course of action President Aquino has not ruled out. Japan, the Philippines largest aid donor, is understood to support Washington's position, western diplomats say.

President Reagan recommended his successor should adopt the programme shortly after agreement was reached on compensation for the two last years of the bases lease in October. President-elect George Bush has already endorsed the plan and US aid officials expect legislation this year.

Obstacles remain in the way of a June agreement at a meeting of Philippine aid donors led by the World Bank. Last week Mr Vicente Jayme, the Finance Minister, said that donors will first want an International Monetary Fund "assurance that the Philippines has a credible country programme in place to assure continuing growth and stability".

Talks on a new IMF programme broke down in December after disagreement over government spending priorities and the size of the budget deficit. Manila expects the talks to resume soon.

Sen Lugar and the US Administration may also have problems persuading Congress, which faces a towering budget deficit itself, to part with extra cash even if the bases are allowed to stay. About $3.8bn of aid has been committed to the Philippines by multilateral and bilateral agencies but remains unused because Manila has been slow to allocate funds or has been unwilling to accept donors' conditions for balance of payment support, Western aid donor's say. The aid backlog has grown from about $2.6bn a year ago.

W Australia election seen as a key test for Labor

By Chris Sherwell in Sydney

THE STATE of Western Australia is to go to the polls on February 4, with the Labor Party seeking a third term amid controversy over its links with business.

The election is important because it offers a guide to popular sentiment on economic and social issues likely to determine the Labor Federal Government's re-election chances if, as many expect, it calls a national election later this year.

The four-week campaign is also likely to produce a judgment on the single issue of "WA Inc", the phrase used to describe the state government's controversial involvement in and with business since coming to power in 1983 and especially since the 1987 share-market crash.

Known locally as the "state of excitement" but dubbed the "wild west" by outsiders, Western Australia has latterly seen its reputation tarnished by the activities of many of its high-flying entrepreneurs, and by the state government's apparent attempts to bail some of them out.

Its expensive involvement in a controversial petrochemical plant project, together with its ultimately abortive efforts to prevent the collapse of the Rothwells merchant bank, have since become a millstone which the opposition Liberal and National party coalition has readily exploited.

The announcement of the election came yesterday from Mr Peter Dowding, the 45-year-old state premier, after months of speculation about the timing. He said he expected it to be tough and close, with the outcome decided by a handful of votes in a handful of seats.

Analysts said it would take a uniform swing of around 7 per cent to put the opposition, led by Mr Barry MacKinnon, into power in the state's 57-seat lower house.

THE US-LIBYA CONFRONTATION

Chemical weapons debate gathers urgency

The controversy over Libya's alleged construction of a chemical weapons factory has given new topicality to a conference which opens in Paris tomorrow. Edward Mortimer explains the background

IT WAS President Reagan, in his speech at the UN last September, who publicly launched the idea of an international conference on chemical weapons. He made it clear that this was a direct reaction to the use of such weapons in the Iran-Iraq war.

"Let this tragedy," he said, "spark reaffirmation of the Geneva protocol [of 1925] outlawing the use of chemical weapons. I call upon the signatories to that protocol, as well as other concerned states, to convene a conference to consider actions that we can take together to reverse the serious erosion of this treaty."

Next day the proposal was welcomed by Mr Eduard Shevardnadze, the Soviet Foreign Minister, and two days later by President François Mitterrand who said that France, as "the depositary of the 1925 Geneva Protocol, naturally favours a meeting of the 110 signatories of that agreement".

France later accepted that "other interested participant countries in the United Nations proceedings" could attend the conference, and in fact more than 140 countries have said they will do so, about 75 of them, including the US, at foreign minister level.

Asked whether Iraq would take part in the conference, Mr Mitterrand replied that as a party to the 1925 protocol Iraq would be invited. "It will be very useful." That was the nearest anyone came officially to stating the real purpose of the conference, which is to look for ways of repairing the massive breach in the worldwide taboo against chemical warfare opened up by Iraq's successful use of it in the war against Iran, and also against its own Kurdish citizens.

The 1925 protocol forbids the use of chemical weapons but not their production or storage. A worldwide ban on the latter is the object of negotiations which have been going on since 1979 at the 40-nation UN Disarmament Conference in Geneva. In late 1987 there was considerable optimism that these talks might produce a result, after the Soviet Union opened up its hitherto top-secret chemical warfare site at Shikhany to Western visitors.

But a visit to Shikhany last July by British delegates, who were not allowed to see all they wanted, confirmed the view of many Western military experts that a ban on chemical weapons production is, in effect, impossible to verify, and that security is better guaranteed by retaining at least a minimum chemical warfare capacity as a deterrent.

Yet at the same time Iraq's use of the weapons has reinforced a political consensus, expressed on Wednesday by Mr Roland Dumas, the French Foreign Minister, that the world has now reached a "crossroads": "either we resign ourselves to seeing chemical weapons become banal. . . or we give the necessary political boost to the Geneva negotiations for them to overcome the remaining obstacles to a world convention ensuring a verifiable ban on chemical weapons production, and the destruction of existing stocks".

That political boost is what the Paris conference is intended to provide. Lasting only five days, it is not seen as a negotiating forum, but the French are drafting a political statement which they hope it will adopt.

The US determination to see Libya's alleged production capacity dismantled reflects, in a different way, the same conviction – that if stocks continue to proliferate they will inevitably be used. Proliferation is bound to be the most contentious issue at the conference. The other four points in the French draft – condemnation of the use of chemical weapons, solemn reaffirmation of the 1925 Protocol, need for a global and verifiable ban, and support for the role of the UN – are easy enough to agree on the political level.

But proliferation, in the chemical as in the nuclear field, inevitably raises the issue of double standards. Libya has already made the point by saying that it is prepared to accept any restrictions and inspections that are accepted by the US. It and other Arab countries can also be expected to ask why they should be expected to take the issue of chemical proliferation seriously when the US has never put pressure on Israel either to sign or to observe the Nuclear Non-Proliferation Treaty.

Israelis prepare for gas assault

By Laura Blumenfeld in Jerusalem

MILITARY training under simulated conditions of chemical warfare climbed to the top of the Israel Defence Forces' priorities in 1988, underlining growing Israeli fears about chemical weapons in Arab hands.

Sharing the army's sense of alarm, Israel's civil defence corps plans to distribute gas masks to the entire Israeli population. A missile-borne chemical attack could severely erode Israel's military superiority over its neighbours.

An Israeli Foreign Ministry official said yesterday that the use of chemical weapons in the Iran-Iraq war, together with reports that hostile countries such as Syria and Libya possess chemical weapons, has led Israel to regard itself as one of the prime targets for a chemical assault.

"The same Israeli general who denied the possibility of a chemical attack five years ago, will tell you to hold your breath because it could happen even today," said an officer at an army base in the southern Negev desert, as he watched infantry reservists wearing cumbersome charcoal suits and gas masks against mustard gas capture a mock village.

According to Brig Gen Natan Golan, deputy head of Israel's ground forces command, nowadays all manoeuvres include simulated nerve gas, mustard gas or blister agent bombardment, to ensure that in the event of a real attack Israeli soldiers will be able to carry on fighting.

Civilian preparedness is being treated with equal concern. Children in 36 schools – including Arab and Druze – took part in a chemical defence drill in November, closing doors and windows, donning gas masks for 20 minutes and treating "burn victims".

Personal defence kits which include gas masks, medicines to block the effects of nerve gas and plastic covers to protect the skin, were distributed to every resident of Shlomi, a northern settlement town, and Ramat Hasharon, a Tel Aviv suburb, last month in an experiment to test public receptiveness to the equipment.

Previous experiments were a dismal failure, with gas masks rendered useless by people who wore them while spraying insecticides, or as fancy dress.

Automatic detectors, produced by Elbit, an Israeli manufacturer of computer-based military systems, which sound an alarm in the presence of cyanide as well as nerve and blister agents, are being marketed successfully in Western Europe, according to company officials.

Air clash may strengthen Gadaffi's hand at home

By Andrew Gowers, Middle East Editor

AFTER Wednesday's clash over the Mediterranean, in which American jets shot down two Libyan warplanes, Col Muammer Gadaffi was in his fiery element.

"In spite of the increase in official American terrorism, the revolutionaries of great Libya will not bow their heads and will not abandon their principles and objectives," the Libyan leader proclaimed. "They will meet challenge with challenge. If America has prevailed because it is a superpower in the air and the sea, it will inevitably be defeated on land."

For all the rhetoric, this was something other than a threat of revenge: Libya, with its tiny population and less than competent armed forces, is scarcely equipped for that against a superpower, although the possibility of some sort of terrorist response – whether Libyan-inspired or not – clearly cannot be ruled out.

For the moment, while bracing himself for possible American action against the chemical weapons plant which he is alleged to have built south-west of Tripoli, the Libyan leader is more likely to sit tight and bask in the enhanced political prestige which Wednesday's incident is bound to have conferred on him at home.

Experienced observers of Libyan affairs are at one in the belief that the US action, far from undermining the Colonel, will have helped him further to consolidate his position following a year in which he had already begun to defuse some of the most obvious sources of domestic dissent.

"This incident plays into Gadaffi's hands," said one Libya expert in London. "It's wonderful: the moment the US fleet appears to be moving in, the people rally round."

According to regular visitors to Libya, the atmosphere in the country has recently undergone something of a change. This time last year, Col Gadaffi's position was looking as shaky as it had been at any time since he seized power from King Idris in September 1969.

The army was seething with discontent following its humiliating ejection from Chad, Libya's strife-torn southern neighbour, in 1987; the economy was in chaos as a result of the collapse in oil prices and the strictures of Col Gadaffi's peculiar brand of socialism; the distribution system for food and consumer goods had all but collapsed, causing growing shortages in the shops; and the petty tyranny of Col Gadaffi's network of "Revolutionary Committees" was giving rise to a rising chorus of public complaint.

Furthermore, following the 1986 bombing raids, the Colonel had become acutely aware of his unprecedented international isolation, with other Arab states doing little more than shedding crocodile tears over his discomfiture.

But in the last 12 months or so, Col Gadaffi has taken a number of steps to improve his position:

● He has promoted more neighbourly ties with Tunisia and Algeria amid moves towards closer co-operation between all states of the Maghreb.

● Since last spring, he has taken a number of steps to ease the more repressive aspects of his rule – heralded in March by the typically histrionic gesture of driving a bulldozer into the walls of Tripoli's main prison. He has reined in – though not disbanded – the notorious Revolutionary Committees. He has also apparently been sending out feelers to members of the opposition in exile.

● Perhaps most important, he has made several gestures towards opening up Libya's rigidly-controlled economy. By announcing the abolition of government trading organisations in September, he cut public spending and signalled that the private sector could play a greater role in the import-export business. Combined with the opening of the Tunisian frontier last year, this has helped to put goods back in the shops.

All this does not mean that Col Gadaffi's position is definitively secured. Powerful sources of discontent remain – not least the austerity forced by curtailed oil revenues, which is likely to bite into the private sector's purchasing power as well as government receipts.

What is more, according to some reports, the Libyan leader may face a new threat in the south of his country in coming months. The London-based newsletter Africa Confidential reported this week that the opposition alliance known as the National Front for the Salvation of Libya had established a base at the Chadian town of Ouadi Doum, and that experts from the US and Israel were preparing 2,000 Libyan prisoners of war in other African countries for a possible incursion into southern Libya.

In the face of such possible domestic turmoil, a clash with the US over the Mediterranean may not be the greatest of Col Gadaffi's problems.

W German probe clears company of poison plant work

By David Goodhart in Bonn

LOCAL investigators yesterday handed the West German Finance Ministry a report which completely clears Imhausen-Chemie, the firm named by the US authorities, of any involvement in the building of the alleged chemical weapons plant in Libya.

The investigators said that they could find no evidence that the company or any subsidiary had been involved in the transfer of materials or "know-how" to Libya between 1984 and 1988.

The Bonn Government, which has been most unhappy with the US Government's use of newspaper leaks to bounce them into action, is nonetheless expected to continue following up the other leads relating to four other, unnamed, German companies.

The episode is a continuing embarrassment to Bonn because even if no evidence is found for the current US allegations it focuses attention on the many breaches of export control regulations in the past.

US officials point out that the Imhausen case shows how slow the Germans are in following up the leads. They say that while information was handed over in mid-November the investigation did not begin until a week ago. Foreign Ministry officials say detailed information did not arrive until just before Christmas.

The whole issue will be discussed between Mr Hans-Dietrich Genscher, the West German Foreign Minister, and Mr George Shultz, the US Secretary of State, at the international conference on chemical weapons in Paris at the weekend.

Although the Bonn Government is now planning several changes to export control laws, partly in response to US pressure, the episode has also provoked some anger at what is seen as the high-handed action of the US. Yesterday Mr Volker Ruehe, the foreign affairs spokesman of the CDU/CSU parliamentary group, warned the US against trying to "destabilise" German foreign policy.

Thai debt expected to increase

THAILAND'S total foreign debt is expected to rise to $20bn at the end of 1989 from $17.5bn a year ago, the Bank of Thailand said, agencies report from Bangkok.

The country's debt service ratio is forecast to increase marginally to 13.2 per cent by December from 13.0 per cent at the end of 1988 but compares with 17.1 per cent a year ago, the central bank said. Finance Ministry officials said public sector foreign debt totalled $11.91bn at the end of 1988 against $12.95bn a year ago and 11.02bn in December 1986.

Sri Lanka pullout

India has withdrawn one battalion of its 50,000 troops in Sri Lanka at the request of President Ranasinghe Premadasa, a spokesman said yesterday, Reuter reports from Colombo. Mr Gurjit Singh, first secretary at the Indian High Commission, said the withdrawal took place in the past few days. A second battalion will be sent home on January 8, he added.

Idi Amin in Zaire

Idi Amin, the deposed Ugandan leader, slipped into Zaire two days ago on a false passport and will be expelled to Saudi Arabia, a Zairean official said yesterday, according to Reuter in Kinshasa. Amin fled to Libya and then Saudi Arabia after Ugandan rebels backed by Tanzanian troops toppled him in 1979.

S Africa electricity

South Africa's state-owned electric authority, has negotiated a co-operation agreement with its counterpart in Zaire, AP reports. Mr Ian McCrae, Eskom's managing director, said in an interview yesterday that Eskom held discussions for the first time with Zaire's energy authority, known as SNEL, in December in Zaire. Senior SNEL officials are scheduled to visit South Africa in February for further talks.

Divided Mujahideen likely to be outmanoeuvred by Moscow

By Christina Lamb in Islamabad

DIVISIONS among the Afghan resistance leadership have reached new depths as they enter their second round of peace talks with the Soviet side today.

The arrival of Mr Yuli Vorontsov, the chief Soviet negotiator, in Islamabad apparently caught the Mujahideen unawares, forcing them to come up with a hasty proposal for their future government in Kabul.

An alliance spokesman admitted they would be going into today's meeting, which Mr Vorontsov has termed decisive, with no new concrete proposals. Western diplomats in Islamabad said the resistance was playing straight into Soviet hands.

Longstanding differences among alliance parties re-emerged after Mr Vorontsov's meeting with the former King Zahir Shah. They were exacerbated when members of the hard-line Hezbi Islami party insisted that the proposed Grand Assembly scheduled to meet on February 1 should give a vote of confidence to the interim government form in July headed by Engineer Ahmat Shah, a Hezbi member.

Tempers were raised to such an extent that Pir Gailani, leader of one of the three moderate parties, walked out of an alliance meeting saying: "The Ahmat Shah Government is neither representative nor broad-based, and was dissolved by written authority of the alliance on October 7."

Mr Gulbuddin Hekmatyar, the Hezbi leader, said he guaranteed that the interim government would get a vote of confidence, claiming he had support of four of the seven parties each of which will send 60 members to the assembly and therefore a majority. He added: "No one can rule Afghanistan without the approval of my party."

Sources in Pakistan's Foreign Office say Mr Hekmatyar, who as the favourite of the late President Zia was the largest recipient of arms and aid, has outlived his usefulness.

At the last resistance meeting Gen Hamid Gul, the head of Pakistan's military intelligence, apparently admitted that Pakistan's Afghan policy had been too slanted towards one party in the past. Before 140 resistance representatives he pronounced the seven leaders incompetent, saying he was now relying on commanders and intelligentsia to come up with something.

Soviet sources say Mr Vorontsov will propose an international peace conference, an idea already rejected by the resistance, or the formation of a consultative council including all Afghan groups which would then be entrusted with the task of creating a broad-based government.

Peres's plans for austerity opposed

By Andrew Whitley in Jerusalem

PROPOSALS to reduce public spending in Israel by Shekels 1.1bn ($620m) encountered stiff opposition yesterday during a marathon Cabinet debate on an economic package announced on Sunday by Mr Shimon Peres, the new Finance Minister.

The hastily assembled package of measures, designed to reduce inflation and restore economic growth, included the second devaluation within a week of the shekel and a proposed reduction in an automatic cost-of-living wage adjustment scheme.

Dampening government hopes of a rapid return to fast growth, one top economic official forecast yesterday that Israel's output in 1989 was unlikely to exceed 2 per cent. This followed last year's rise of only 1 per cent in Gross National Product.

Before yesterday's Cabinet session, Mr Peres had, in effect, conceded defeat to Mr Yitzhak Rabin, the Defence Minister, on a central plank in his strategy: the cutting of defence expenditure by some $200m, coupled with a refusal to compensate the army for extra costs incurred in combatting the uprising in the occupied territories.

A token reduction of some $85m in the defence budget – the largest single item of government expenditure – was reportedly proposed to the Cabinet. But officials from the two ministries are to meet later to work out a deal expected to preserve the overall level of military spending more or less intact.

To add to the criticism already encountered from the defence establishment, the farming community and the labour federation, the Peres package came under fire in the Cabinet yesterday from Mr Yitzhak Navon, the Education Minister and a senior Labour politician, who attacked proposals to introduce education and health charges.

Overheating Hong Kong pays the price of success

A period of rapid growth, in part due to proximity to China, has fuelled inflation, reports John Elliott

EAST ASIAN ECONOMIES

HONG KONG

Hong Kong, one of the world's more remarkable post-war economic sensations, is soon to be reabsorbed into China, one of the largest but most backward and troubled of economies.

China already dominates the little enclave as Hong Kong's largest trading partner, a situation that brings benefits but also anxieties that China's inflation and economic and political upheavals could hurt Hong Kong's own prosperity.

More than 1.5m people in the southern Chinese province of Guangdong work for Hong Kong companies. At least 20 per cent of Hong Kong's issued notes and coins are circulating in the province. About two-thirds of all foreign investment in China comes from, or is routed through, Hong Kong.

These statistics illustrate the growing interdependence between Hong Kong and its neighbour which regains sovereignty over the colony in 1997. They also illustrate how China is strengthening Hong Kong's role as a thriving entrepot as well as providing space and labour for companies located in the crowded colony to expand.

At the same time Japan, while of far less primary importance to Hong Kong than to several other Asian countries, is playing an increasingly significant role in the colony's economy, where it is expanding its investments in banking, property, retailing, and manufacturing. Like Taiwan and South Korea, which cannot invest directly in China, Japan also sees Hong Kong as the natural gateway to that massive market.

Hong Kong's booming free-wheeling economy is, however, experiencing a major structural adjustment caused by over-heating and the uncertainties concerning the approach of 1997.

The most immediate problem is how to adjust to the over-heating caused by GDP growth of 11.6 per cent in 1986 and 13.6 per cent in 1987. Growth moderated significantly to about 7 per cent in 1988. Nevertheless these figures show the economy spurted to grow by about a third in three years.

The decline in the growth rate in 1988 with another fall of about 1 percentage point during 1989 is part of the adjustment process. But Hong Kong is still bursting against its limitations of scarce labour and space as its dominant service sector booms and manufacturers move up market. Manufacturers' other option of finding cheaper production centres abroad, mainly in China but also in other countries like Thailand, has not eased the pressure much in the colony.

The price of the growth is sharply increasing inflation – wages in some sectors rose by more than 20 per cent last year, office rents went up by as much as 60 per cent, and medium-sized residential rents by about 40 per cent.

The government's consumer price index – which probably underestimates the reality – registered a twelve-month increase of 8.5 per cent in November. This is expected to rise to 10 or even 11 per cent in coming months. Government officials argue that this is acceptable, providing it does not go higher, because it is part of the necessary economic adjustment. But double-digit inflation, particularly if it is prolonged, could prove very unpopular politically.

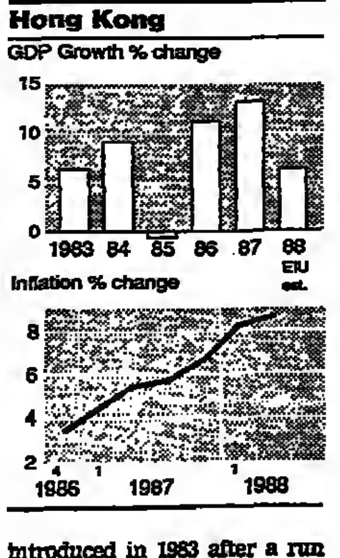
Inflation has prompted major debates on two central issues: whether labour should be imported from other countries to boost the colony's 2.75m labour force and ease chronic shortages of 100,000 or more workers in the construction, retailing, hotel and other industries; and whether the five-year old currency link of HK$7.80 to the US dollar should end.

On both fronts the Hong Kong Government is resolutely turning its face against any change, mainly because of a deeply ingrained fear – which is becoming more acute as 1997 approaches – of social and economic instability.

There are worries that a large influx of unskilled labour (managerial and selected skilled imports are already allowed) could put unacceptable strains on Hong Kong's scarce housing, transport and leisure facilities, as well as depriving local workers of the higher wages necessitated by the current shortages.

"I think economic growth of about 5.5 per cent is manageable," said Mr Vincent Cheng, the Hongkong Bank's chief economist. "The labour force is growing by 1.3 per cent a year and it is possible to achieve just over 4 per cent through increased productivity. But if we want double digit growth we must import labour."

The dollar link issue was introduced in 1983 after a run on the currency when it became clear that Britain intended to return sovereignty to China in 1997. With the declining value of the US dollar, the tie is now regarded as inflationary.



"Just to stay linked to the US dollar is to peg our fortunes to a single currency," said Mr David Li, chief executive of the Bank of East Asia and an outspoken member of the colony's Legislative Council. "Politically it would not be right to float the currency, but we should be anchored to a basket of currencies which would include the Chinese renminbi and the US dollar."

The government disagrees. "It's the political economic risk of the next few years which is the key factor," said a senior official. "We think we need the link in case there are any political shocks in the run-up to 1997 to stop the sort of outflow of capital that happened in 1983. If we changed the system now, we'd be under pressure to do it again when something went wrong. And remember that Hong Kong does not have a central bank and that there is not a good system of controlling money supply."

In any case, the US dollar still dominates trade. The US accounts for over 30 per cent of the colony's domestic exports and 36 per cent of total foreign investment. The yen is less significant – although it is the largest source of Hong Kong's retained imports, with about 25 per cent. Japan's growing importance is also illustrated by its becoming the largest foreign investor after the US. Since 1986 there have also been more Japanese than US banks in Hong Kong.

This is the second in a series of eight articles examining the performance and prospects of East Asia's economies. The first article appeared on January 4.

Splits on scale of US budget cuts emerge

DISAGREEMENTS about the scale of US budget cuts have emerged as negotiations on the Federal budget for 1990 have opened between Congressional leaders and the Bush budget team led by Mr Richard Darman, Anthony Harris reports from Washington.

Mr Bush takes over as President in two weeks.

The talks are aimed at an early Budget summit conference between Congress and the Administration. The Bush team has refused to contemplate any tax increases, but is said to be showing an open mind on other forms of revenue enhancement and some cuts in welfare entitlements – mainly in benefits paid to the wealthy. This approach has some Democratic support.

Congressional leaders believe Mr Bush will be willing to accept across-the-board cuts under the automatic sequestration scheme in the Gramm-Rudman law if the two sides cannot agree. This suggests a willingness to indulge in brinkmanship, but also shows a greater flexibility over defence spending than Mr Reagan conceded.

The tone at this stage is reported to be positive, but a possibly troublesome gap has opened between the two sides on the economic outlook, with the release of the latest projection from the Congressional Budget Office (CBO).

This shows a 1990 deficit of $141bn (£78bn) on present policies, compared with the Administration projection of $127bn. Mr Darman is "comfortable" with the smaller Administration figure, which suggests correspondingly smaller cuts to achieve the $100bn 1990 deficit mandated by the Gramm-Rudman-Hollings law.

The Bush team has put forward no figures at this stage, but will table its own amendements to the Reagan 1990 budget, to be presented next week.

It is also opening discussions on a number of strategic objectives for improving the Budget process. Mr Bush has apparently abandoned Mr Reagan's demands for a line-item veto on Budget spending proposals.

Instead, he is seeking enhanced powers of recession – the historic right of Presidents to refuse to spend all the money appropriated by Congress.

This right was severely reduced in the Budget Act of 1974. At present, Congress can negate economy proposals from the White House simply by ignoring them.

Chicago braces for the battle to be mayor

The contest to control the 'windy city' is proving bitter, reports Deborah Hargreaves

THE DAY after November's US presidential election, local Chicago newspapers were drawing the battle lines in the run-up to what they proclaimed the "main event" – the windy city's vote for mayor in April.

Relieved of the burden of a lacklustre national campaign, Chicago politicians are devoting their energies to a crowded battle for mayor. And, true to the style of this city's rambunctious political tradition, the race has already set its combative tone.

This year's election comes early because of the sudden death, just over a year ago, of Mr Harold Washington, the city's first black mayor, whose struggle for power had won him the status of a folk hero. The general election will determine who is to serve the remaining two years of Mr Washington's term, following Mr Eugene Sawyer's interim stint as acting mayor.

As ever in Chicago's highly segregated neighbourhoods, racial issues provide an important motivator for the plethora of declared candidates in this year's race. While the city's black majority has held the reins of power for the last five years, its unity was split by the bitter struggle for succession sparked by Mr Washington's heart attack.

The mild-mannered Mr Eugene Sawyer was manoeuvred into the mayor's chair last year in a bid by the vestiges of Chicago's old-style, white, Democratic party machine to re-group behind a black figurehead. The insipid Mr Sawyer has failed miserably to fill the void left by the ebullient Mr Washington.

Mr Sawyer has mumbled his way through a series of gaffes and scandals, which, while they are nothing new for Chicago – the corruption capital of the US – have highlighted his lack of political acumen.

The mealy-mouthed mayor has lately had to defend his purchase of a new stretch-limo with city tax dollars, and fend off the accusation that he has resurrected Chicago's time-honoured "jobs-for-votes" system of patronage, so much abhorred by his predecessor.

With the incumbent close to being written off, barely a week has passed without someone new declaring their candidacy for mayor. Democratic contenders will have to fight the party's primary in February, which will select one candidate to face a Republican in the April vote.

It is almost a foregone conclusion that a Democrat will win, particularly as the familiar political figures of Mr Ed Vrdolyak – Mr Washington's bitter antagonist in the City Council – and ex-mayor Ms Jane Bryne, both of whom defected from the Democratic ranks, are not running on the Republican ticket.

Ironically, in a city that has fiercely resisted changes to its cosy political structures and job practices, reform remains at the heart of the political debate. Many a black candidate is claiming the mantle of Mr Washington's reform legacy.

Mr Washington, who broke with the Democratic party machine after coming up through its ranks, had only just started to implement his reform agenda, which had caught the imagination of Chicago's black and minority communities.

The political vacuum has, over the past year, focused the city on trivial disputes, political squabbling and minor scandals. As a result entrenched problems like Chicago's abysmal housing shortage and growing budget imbalance have been largely untouched. Blacks have become impatient with Mr Sawyer's bumbling and are calling for more leadership from City Hall.

Mr Harold Washington: a difficult act to follow

The disunity among voters is obvious from recent polls which put black support for the incumbent at a mere 16 to 18 per cent. His chief black rival, a reformer in Mr Washington's tradition, is Mr Timothy Evans, who is enjoying 35 to 40 per cent backing among black voters.

But Mr Evans, who claims to represent "progressive" citizens has been criticised by blacks for his political opportunism. Like Mr Washington, a product of the old party machine, Mr Evans was slow to break the ranks and even slower to warm to Mr Washington's reform call.

Some voters also feel that Mr Evans' supporters have gone too far in their criticism of the ineffectual but inoffensive Mr Sawyer. One of them recently referred to the meyor as a "shufflin' Uncle Tom."

The split in the black vote echoes white disunity in 1983, when two prominent white candidates divided the white vote enough to put Mr Washington over the top. The split in black support could be sufficient to vote in the best-known white candidate, Mr Richard Daley, who carries the family tradition from his father of the same name – Chicago's long-time mayor.

Surprisingly, in this divided city, some blacks even appear willing to cross racial lines in their bid for a strong leader. Recent polls have given Mr Daley close to 18 per cent of the black vote in a run-off against Mr Sawyer and Mr Evans.

The late Richard Daley ruled City Hall with an iron hand for 22 years as the pinnacle of an omnipotent party machine. Although he paid only lip service to black issues, he is remembered by many as a man "who got things done – no matter how."

"There's a complete myth here that Daley was a good mayor and did a lot for blacks," fumes one resident, "it's a total fabrication, when it was Daley that forced them all into the ghettoes."

But, as Mr Mike Royko, a local commentator has pointed out, the current race bears many similarities to the election in 1955 when Mr Daley senior ascended to the mayor's chair. There are so many similarities, Mr Royko claims, "it's as if the late Daley left a blueprint, titled: 'Okay, Kid, here's how you get to be mayor.'"

In the same way as his father, Mr Daley has sidestepped the black-white bickering in the Democratic party and forged ties with reformers and liberals. While distancing himself from Machine politics, he is the favoured candidate of the remnants of his father's political machine.

However, Mr Daley is not free from the sort of controversy that is never far from politics in Chicago. The genial Irishman is currently defending himself from allegations made in the Chicago Tribune that his office forged hundreds of signatures on a petition pushing for changes in Chicago election law, filed over two years ago.

As Cook County State's attorney, Mr Daley is responsible for conducting an investigation into the fraud, but has dragged his feet, the newspaper claims, and is yet to bring charges.

With Mr Evans baying for the appointment of e special prosecutor to investigate the alleged frand, the dirt could continue to fly for some time. But to a public anaesthetised to such scandals by their very frequency on the Chicago political scene, Mr Daley still appeals.

"I like Daley because he has a good record on law and order," says Ms Debra Jones, a young black secretary, "and I think it helps that his father had the job...it gives him more experience."

Nothing is certain in Chicago politics, but the city could be readying itself for another reign of the "Boss."

Reforms in thrift industry urged

By Anatole Kaletsky in New York

THE Federal Deposit Insurance Corporation, in its official report on the rash of insolvencies in the US banking industry, has asked Congress for powers to vary the insurance premiums it charges on most US bank deposits.

It also suggested institutional reforms in the regulation of the savings and loan industry.

The FDIC's proposals were broadly endorsed by Congressional leaders.

They avoided the three most controversial issues that will face the US government in organising a rescue for the collapsing mortgage banking industry – where to find the money, whether to restrict the government's role in deposit insurance, and whether to alter radically the underwriting methods used in assessing the insurance premiums paid by US banks and thrift institutions.

The report asked Congress to give it new powers to terminate a bank's insurance within six months, if it thought it was operating "unsafely".

At present, the FDIC takes about two years to withdraw its insurance cover. The agency also sought the right to change the premiums it charges all banks, in accordance with past loss experience. US banks pay a premium, set by legislation, equal to one-twelfth of 1 per cent of their insured deposits.

The FDIC said it should have the right to raise this premium if its insurance fund suffers two or more years' losses. The FDIC also wants to include certain uninsured bank liabilities, including repurchase agreements and advances from the Federal Reserve system, in the deposit base used for calculating premiums.

It rejected two radical ideas proposed by many private banking experts, saying that to curtail the amount of insurance offered to US depositors would damage financial stability.

It also rejected varying the insurance premiums charged to individual banks in accordance with the perceived degree of risk in their portfolios.

Brazil considers tactics to appease environmental lobby

By Ivo Dawnay in Rio de Janeiro

THE WAVE of outrage at the murder by gunmen last month of ecologist Francisco "Chico" Mendes has forced Brazil's foreign ministry to consider new tactics to appease and counterbalance the growing influence of environmental and human rights lobbies overseas.

Officials are concerned that mounting world criticism and the growth of the green lobby is out-performing the ministry's own diplomatic efforts in securing foreign governments' support for loans from international agencies like the World Bank.

One example came recently when the West German Green Party forced a debate in the Bundestag over the need for tougher enforcement of environmental provisions in a long-delayed $500m (£277m) power sector loan for Brazil.

Yesterday, the Itamarati – as the foreign ministry is universally known – denied a local newspaper report that it has decided to create a new Ecology and Human Rights Division aimed at both answering and countering the attacks.

The report quoted an official spokesman arguing that the new division was an "obvious necessity" in the light of recent foreign demonstrations and complaints. Later, another official insisted it remained "only an idea".

While many in the Brazilian government deeply resent foreign criticism, worldwide clamour over forest destruction in the Amazon and Indian rights continues to increase.

Evidence of this emerged in the sheer scale of foreign protests that greeted the shooting of Mr Mendes – honoured by the UN for his efforts on behalf of the Amazon and its traditional rubber-tapping communities.

Brazil has taken several steps to counter these attacks, launching a national ecological awareness campaign and applying to the UN to host an ecology conference scheduled for 1992.

However, many civil servants feel that the lack of available resources and the sheer lawlessness of the country's Far West is almost beyond its control.

That appeared confirmed. Dr Eva de Araújo, the judge sitting in the Mendes case, said she had received anonymous death threats. "Tell Dr Eva not to go to the court today," her daughter was told, "because her head could roll, just like Chico Mendes's did."

Nicaragua economic policy attacked after fares rise

By Tim Coone in Managua

THE Nicaraguan government's economic policy came under concerted attack yesterday, following an increase in public transport fares by 20,000 per cent.

The measure was accompanied by a 54 per cent devaluation of the official rate for the cordoba and rises in fuel and petrol costs of between 115 and 140 per cent.

Most bus users come from low income groups whose earnings average the equivalent of some $10 a month. For many of 750,000 daily bus users, the increase signifies that up to 20-30 per cent of family incomes may now have to be spent on public transport, previously heavily subsidised by the government.

The opposition newspaper Prensa called the price rises "the first of a series of disastrous economic measures for 1989", while the official Sandinista newspaper Barricada said the government could no longer afford to pay the subsidy.

Officials were yesterday anxious to point out that the previous flat fare of half a cordoba for urban bus trips (now increased to 100 cordobas), had not been changed since last February, when the new cordoba was introduced.

Real incomes for Nicaraguan wage-earners are estimated to have fallen by over 90 per cent since 1979.

Peking and Seoul forge direct links for trade finance

By Peter Montagnon, World Trade Editor

FRESH EVIDENCE of closer trading relations between China and South Korea has come with the first trade finance transactions conducted by the two countries' own banks, rather than through the normal channel of intermediaries in Hong Kong.

The Bank of China has sent letters of credit directly to the Korea Exchange Bank and the Bank of Seoul to finance purchases of polyester fabric from Samsung and Kolon International of Korea, according to a Reuter report from Seoul yesterday.

The amounts are small, involving a total of less than $300,000, but the move is regarded as significant in cementing trade relations. Indirect trade between the two countries is thought to have grown by about 50 per cent to $3bn last year, even though they do not enjoy diplomatic relations.

As part of their efforts to enhance bilateral trade, the two countries have agreed to exchange trade offices and open direct sea links between South Korea and ports in eastern China.

EC 'ready to ease' agriculture position

By David Buchan in Brussels

THE EUROPEAN Commission yesterday signalled its readiness to shift position on agricultural subsidies – provided other countries do the same – to break the deadlock in the Gatt negotiations on this issue.

Mr Frans Andriessen, who today switches responsibility as a Commissioner from agriculture to external relations, said all the main trading countries "must change their positions" on farm export subsidies. The EC had been limiting its proposals to short-term and partial reductions in farm subsidies.

"But we cannot accept that only the Community should change its position," he said; nor was "the American dogma of the zero option" acceptable. He was referring to the Reagan administration's insistence on a commitment for the eventual phasing-out of all trade-distorting support for farming by a specific date.

The EC's February 1988 reforms to curb European farm surpluses by means of automatic price-cutting stabilisers had "a certain value", which should be recognised and matched by similar concessions from Europe's main negotiating partners in the GATT, he said.

Mr Andriessen added that his priorities in his new job would be to try to negotiate an overall Uruguay Round agreement in the Gatt, to create a strong European "economic space" which would go beyond the 12 EC states to embrace members of the European Free Trade Association (Efta) and achieve a more constructive relationship with Japan.

In the continuing division in the 17-member Commission over reciprocity in financial services, Mr Andriessen put himself firmly on the side of those wanting to attach reciprocity demands only to new third-country institutions setting up in the Community, not to foreign firms already established in the EC.

Peter Montagnon adds: In a televised news conference from Washington, Mr Alan Holmer, Deputy US Trade Representative, said he was "optimistic" that the US and EC could resolve their differences over agriculture by the new deadline of April.

However, the US position remained that it was "essential" for a date to be set for the elimination of all trade-distorting subsidies. The US was prepared to be flexible over this date, over matters relating to food security and over food aid programmes, he said.

French will supply car kits to Iranians

By Paul Betts in Paris

PEUGEOT, the French private car group, has signed a big new industrial co-operation agreement with Iran worth between FFr 8bn and FFr 10bn (£727m and £909m) over 10 years to supply car kits to the state-owned Iran Khodro car company.

The deal, announced by the French group in Paris yesterday, marks a significant comeback by Peugeot in Iran after the French company's decision to close its UK-based car kit export operations for Iran in Coventry two years ago. That followed Iran's foreign exchange crisis caused by its war with Iraq. At their height, the Coventry car kit operations of the French company's UK subsidiary, Peugeot Talbot, had the UK motor industry's biggest export contract, worth £130m a year.

The French car group continued to maintain close contacts with Iran Khodro because it regarded Iran as offering good long-term business prospects. Mr Jean Boillot, head of the French company's Automobiles Peugeot division, said yesterday the negotiations for the latest contract took only a few months and that the contract reflected Iran's efforts to relaunch its industrial development.

The agreement involved the supply of kits from France of the Peugeot 405 saloon and stationwagon for assembly in Tehran, as well as motor components based on the Peugeot 504 for the assembly of Paykan vehicles in Iran.

Peugeot expects to supply kits for the assembly of 500,000 Peugeot 405 vehicles over the next 10 years. The first shipments are to start in the spring. About 6,000 kits are expected to be shipped this year, rising to 108,000 a year ten years hence.

The level of local content is also expected to rise sharply from about 10-15 per cent in the first years to more than 80 per cent in six to seven years time.

Peugeot will also supply motor components from France for the assembly by Iran Khodro of 60,000 Paykan vehicles, essentially pick-up trucks, between now and 1994.

Ansett lays down an air leasing challenge

Chris Sherwell assesses the Australian company's ambitions in a lucrative industry

IN THE OFTEN shadowy world that produces enormous deals between high-profile aircraft makers and glamorous national airlines, the expanding middleman activity of aircraft leasing is witnessing the emergence of a new challenger.

It comes from Australia, in the form of Ansett Worldwide Aviation Services. Like its sister company, the domestic carrier Ansett Airlines, it is owned 50-50 by Sir Peter Abeles' TNT international transport and freight group and Mr Rupert Murdoch's news, print and broadcasting group.

Ansett is extremely shy of publicity, but makes no secret of its ambitions to become the best, if not the biggest, aircraft leasing company in the world. In this, it is taking on the industry's acknowledged giant – the GPA Group (formerly Guinness Peat Aviation) of Shannon, Ireland.

In one sense these aircraft leasing companies do little that is different from their counterparts in other equipment lines, be it fax machines, cars or computers. But there is no doubting the bigger scale of business they transact.

Last November, for example, Ansett ordered 22 aircraft from Boeing of the US – sixteen 757s and six 767s – with options on an additional seven 767s. The deal was worth $1.1bn.

In the same month, GPA announced the purchase of the entire fleet – 29 aircraft – of United Airlines' DC-8s, plus 14 spare engines. The value of the deal was estimated at $500m. Just this week a complex $3.5bn deal was concluded between Braniff airlines and Airbus Industrie which includes GPA buying 26 aircraft and passing them on to Braniff.

The regularity of such announcements has begun to make them seem routine. In October 1987, Ansett announced plans to buy 27 Boeing jets – sixteen 737s, six 757s and five 737s. Its first big deal was in 1980, soon after Abeles and Murdoch took it over, when it ordered 21 Boeing jets.

More recently it became one of Airbus Industrie's earliest customers for its new A-320s, of which it ordered nine and took out options on another seven. It was also the launch customer for the Fokker 50 turbo-prop airliner, of which it ordered 21.

Most spectacularly, in June 1987 Ansett's parent, TNT, announced it would take the entire production of the British Aerospace BAe 146 "Quiet Trader" freight aircraft – about 72 aircraft over five years – for its European operations.

With many of these deals, moreover, come others – almost as important and just as heavily bargained-for valuable contracts with engine makers. Rolls-Royce, for example, has been a major beneficiary of Ansett's purchases.

The overall result is that aircraft leasing, having sprung to prominence in the early 1970s, has grown into a major world industry in the 1980s.

Partly this has been a product of deregulation, which prompted the birth of new, undercapitalised airlines and lower fares. It is also the result of strong economic growth in rich countries, which has seen more people travelling by air.

Beyond this, the demand for modern aircraft, in particular, has increased because fuel efficiency has become commercially important and reduced engine noise is demanded in some countries by law. Aircraft dependability has also become more vital as airports have grown more congested.

More than anything, however, leasing has reconciled the conflicting demands of aircraft makers and engine manufacturers, on the one hand, which have long time horizons for planning and production, and airlines on the other, which these days need greater flexibility to switch routes and aircraft in order to meet changing demands.

According to Ansett, Boeing cannot currently offer a new 737 jet to any purchaser before 1994. The leasing company says it can, because it moved into the bulk purchase business, and in the process secured better terms by paying cash.

Unlike most leasing companies, which neither fly aircraft nor issue tickets – hence their tag the "merchant bankers of aviation" – Ansett is an operator. It runs a successful airline in Australia as its major business, another in New Zealand and still more in the Pacific region, like Polynesian Airlines.

This not only gives it a pool of aircraft to draw on and replenish, a kind of safety net. It also means Ansett can offer other services – maintenance, crews, even marketing – as well as aircraft.

Ansett diversified in this fashion because of the limited opportunities its airline faced at home and in the region. Operating on a shoestring out of TNT headquarters in Sydney, the leasing business now calls freely on the airline and its personnel for technical and other assistance where this is needed.

Unlike most of its competitors, it offers "operating" leases, in which airlines take aircraft on a basis similar to a car rental to give themselves the flexibility they need, rather than "financial" leases, in which airlines lease rather than buy new or second-hand aircraft for balance sheet purposes.

Currently Ansett's aircraft are leased to companies in the US, the UK and numerous European countries, including France, Spain and Hungary. It has started operations in South America with Brazil, and is hoping to capture business in Canada.

In size, it still lags behind leasing giants like GPA and International Lease Finance Corporation of California, which have hundreds of aircraft on lease or order. But like them it has a delivery schedule stretching through to the mid-1990s.

The business, by its nature, includes the selling as well as the buying and leasing of aircraft. The trick Ansett has to pull off is to buy and sell the right numbers at the right price and right time.

In this, it reckons it has the skills needed. Certainly the business is thought to be hugely profitable – even TNT admits it makes a "major contribution" to its profits. The test of its confidence will come if and when there is a downturn.

Ford to control resources through special network

By Kevin Done, Motor Industry Correspondent, in Detroit

FORD Motor of the US is launching a global communications network of computers to integrate its global engineering resources for the development of world cars.

The network, called the Worldwide Engineering Release System, has cost $77m and taken five years to develop. It is to supersede six separate and incompatible design and engineering communications networks used by Ford's automotive operations in different regions of the world. The computer network will link all Ford's 20,000 engineers worldwide.

Mr Philip Benton, Ford Motor executive vice-president and president of Ford's automotive operations, told the North American International Auto Show: "One operation will be given the lead responsibility for a particular vehicle line or component."

Mazda, Ford's 25 per cent-owned Japanese affiliate, has been given the lead responsibility for developing a new generation of Ford Escorts for the North American market.

Also, Ford of Europe is developing the next generation car to succeed both the present Ford Sierra in Europe and the Ford Tempo/Mercury Topaz in North America, while Ford's North American engineers are leading the development of a new executive car in place of the Scorpio/Granada in Europe.

STC wins ocean cable contract

By Hugo Dixon

STC, the UK's second largest electronics group, has won a $150m contract to supply part of a new under-water telecommunications cable linking Europe and North America.

The new trans-Atlantic cable, the contract for which is worth $350m in all, is due to be completed in October 1991. It will be the third fibre-optic cable for the Atlantic.

STC will supply 2,610km, or just under 30 per cent, of the 9,360km cable. The other main suppliers will be AT&T of the US and Submarcom, part of Alcatel, the French telecommunications group.

Soviet engineering failure due to 'poor quality'

By Quentin Peel in Moscow

SOVIET engineering exports are failing to compete on world markets because of poor quality, shoddy finishing, and a failure to observe international technical standards.

The proportion of Soviet exports accounted for by machinery and equipment has slumped in recent years from more than one-fifth to barely 13 per cent.

A crash programme to raise quality standards, and introduce international norms, is needed to enable Soviet engineering enterprises to compete in international markets, and to reduce the dependence of the Soviet economy on imported technology.

Those are the key conclusions of a major article on Soviet export competitiveness, published by the respected Soviet economic journal Eko.

The author, V.I. Kotov, of the Soviet Foreign Trade Academy, says that only 29 per cent of goods produced by the machine-production industry, only 14 per cent of machine tools, and only 17 per cent of the output of the machine tool construction industry, match international standards.

The USSR fell from fifth or sixth in the world for the export of machine technology in 1976 to 13th in 1986, he says. He cites a study of 216 major export items – including machine tools, cars and diesel engines – which showed that only 20 met the demands of the world market.

UK NEWS

Britain finally follows the Swedish example and reaches for the diaper with less wood

Environmental pressures breed the new 'green nappy' market

By Christopher Parkes, Consumer Industries Editor

THE BATTLE for the babies' nappy market moved to the environmental arena yesterday with the arrival in Britain of the "green" nappy, or diaper.

Disposable nappies made from wood pulp manufactured by a process which uses fewer trees and produces less damaging waste are to be introduced into the UK more than 15 years after similar products were launched in Sweden.

The move follows the removal last year of chloro-fluorocarbon propellants from most domestic aerosols. This was prompted by rising awareness of the damage CFCs were causing to the atmosphere's ozone layer.

The appearance of thousands of dead, dying and ailing seals around the UK coast last year focused public attention on sea pollution and the waste disposal activities of paper makers and others.

Now, according to officials of Peaudouce, a subsidiary of Sweden's Svenska Cellulosa forest products group, the £330m-a-year British market is "ready" for its Ultra Plus nappies.

Formerly, research had shown that shoppers wanted nappies stuffed with brilliant white fluffy padding, obtainable only by bleaching processed wood pulp with chlorine and its derivatives, the company said.

Now they were prepared to accept the new products in an off-white tint – "a shade more natural" – achieved by a mainly mechanical process with a little help from hydrogen peroxide.

Procter & Gamble, the nappy market leader, quickly scrambled out a similar message announcing that its Pampers brand would be appearing next month made to a new environmentally friendly formula.

Commercial considerations play as great a part in the new launches as any environmental or cosmetic concerns.

Peaudouce been losing ground in a business which grew 19 per cent by value last year and which is expected to increase by a further 16 per cent in 1989 when the rising birth rate will deliver 800,000 more babies into the market-place.

The main competition has come from retail chains' cheaper, own-label products. Sold by Boots, the retail chemists chain, Mothercare and leading supermarkets, they have captured 60 per cent of the trade, compared with 40 per cent two years ago.

Colgate-Palmolive of the US has withdrawn from the UK and recently sold its French business.

Peaudouce, which had an estimated 30 per cent share of the British market two years ago, will spend £10m on promotion this year in an attempt to make up some of its losses since then and gain a 15 per cent share in 1989, according to Ms Julie Bukalders, marketing manager.

Procter & Gamble, with between 20 and 25 per cent, has also had to spend heavily in the face of the extraordinary success of retailers' own-label nappies and the recent aggressive launch of Togs from Italy.

Retailers are currently supplied by more than 20 smaller manufacturers, led by Robinsons, a Chesterfield, Derbyshire, company, which manufactures its Cosifit brand alongside output for several chains.

However, Peaudouce, which has so far refused to make private-label goods, is starting negotiations with retailers and hopes to win share by producing its "green" nappies under their brands.

Company officials said yesterday that because it needed all the fluff pulp it could make for its own purposes, it would not be able to supply other nappy manufacturers.

However, the technology is not patented and machinery and supplies of the pulp and similar products, like that used by Procter, are available on the market. Procter's version, imported from Sweden, is manufactured using active oxygen bleaching, the US company said, using oxygen and an oxygen compound of chlorine. Chlorine itself is no longer used for bleaching, it added.

The chemical thermo-mechanical pulp (CTMP) process for making the "new" nappy filling has been available for many years.

Diapers and other products have been on sale in Sweden since 1972, and have already been introduced to several other West European countries.

Apart from the advantages of reducing the volume of chlorinated waste pumped into rivers and the sea, CTMP is more economical in terms of trees.

In a world diaper market which uses 1bn trees a year, the CTMP process which can squeeze 1,000 nappies out of a single tree compared with the 500 obtained by conventional chemical pulping methods has obvious environmental merits.

Even better would be a return to the use of washable terry towelling nappies, which were used in about 90 per cent of UK homes at the start of the 1980s.

However, convenience is likely to continue to win the day over the environment in most homes.

From 80 per cent at present, the proportion of all nappy changes made using disposables in Britain is increasing rapidly, and is forecast to approach 100 per cent in the next decade.

By then every baby born in the country can be expected to consume three or four fully grown pine trees before it becomes aware of its immediate environment and takes to the potty.

Government policy on exports 'misguided'

By Nick Garnett

THE Government's belief that its economic strategy on exchange rates and domestic demand will help reduce the UK's balance of payments deficit on manufactured goods was attacked as misguided yesterday by the Engineering Employers Federation.

In its submission to the Government on the forthcoming budget, the federation says the Chancellor of the Exchequer, has underestimated the competitive weakness of many industrial sectors and the volume of foreign-supplied components and raw materials included in goods exported from Britain.

The federation represents 5,000 companies in engineering sectors including vehicle building, aerospace and mechanical engineering. Total engineering industry sales last year were about £109bn of which £38bn were exports.

The federation says the Government seems to believe that British industry is competitive enough to cope with high exchange rates employed to curb inflation.

The federation challenges this and argues that the Chancellor's strategy on the balance of payments is flawed.

The Government appears to be making three points about the balance of payments, the federation says. One is that if UK domestic demand is slowed, British companies will be able to push back imports and divert more attention to their own exports.

Another point made by the Government is that since 1984, when British manufacturers have had to cope with high exchange rates, the UK's relative share of world exports has held steady.

The third point is that the West Germans and Japanese have been able to maintain trade surpluses in the face of strong currencies.

The federation says that the UK has had little problem for difficulty in raising exports, but that the reasons for much higher import penetration are long-term and structural. These will not be reversed easily.

It says that British industry has become much less integrated since the late 1970s, buying in far more components and raw materials for products which are exported as British-made.

The UK value added percentage of exports has therefore been falling. The ratio of value added to sales has diminished by 10 per cent between 1983 and last year.

"Import penetration ratios will not be reduced significantly, and perhaps not at all, by slower demand growth. In many cases specific products and services are no longer available from UK sources."

Chancellor Mr Nigel Lawson: policies "misguided"

Nissan two-year pay deal worth up to 22.5 per cent

By Charles Leadbeater, Labour Editor

NISSAN, the car manufacturer, has agreed a pay deal which will give its 2,000 production staff, rises of between at least 17.5 and 22.5 per cent over the next two years.

Although the award reflects special factors, in particular the dramatic expansion over the last two years at the Nissan plant at Washington, north-east England, it is certain to fuel worries that recent rises in inflation and interest rates will provoke higher pay pressure.

The settlement, disclosed in a forthcoming report by Incomes Data Services, the pay research company, will give Nissan workers' rises of between 10.5 to 15 per cent this year. This will be followed by a rise from January 1990 of at least 7.5 per cent, or 2.5 per cent above the inflation rate, if inflation exceeds 5 per cent.

The deal could have a significant impact on pay talks at Jaguar, the luxury car maker, and at Peugeot Talbot.

Jaguar's 9,000 manual workers are expected to vote next week on the company's final two-year pay offer of rises between 4 and 5 per cent, which was rejected by union leaders on Wednesday. At Peugeot Talbot, where pay talks resume on Monday, 4,500 manual workers have been offered a rise of 4.5 per cent for 1987-88, followed by a rise of 5 per cent from November this year.

Pay talks covering almost 2m engineering workers are due to resume later this month, with the Engineering Employers' Federation prepared to raise its 5.1 per cent offer to at least 6 per cent.

Union pay negotiators in manufacturing will be keen to use several aspects of the Nissan deal as yardsticks in talks. Unions are likely to start pressing, in particular, for inflation proofing as a condition for signing agreements which last more than a year.

The rise for this year is based on a basic pay rise of 8 per cent, which is at least one percentage point above the going rate.

Workers will also be paid 2.5 per cent in recognition of their efforts while the company expanded production from about 5,000 cars a year in 1986 to 55,000 last year.

Staff on lower pay grades will also be paid an additional 4.5 per cent increase, to ease recruitment and improve retention. Nissan's pay rates have been significantly lower than the rest of the car industry.

Elsewhere union leaders representing more than 100,000 workers in the electricity and gas industries yesterday called for rises well in excess of inflation in forthcoming negotiations.

Incomes Data Services' Report 536, is available by subscription from 193 St John's Street, London EC1V 4LS.

Biggest fall in Lloyd's membership since 1960s

By Nick Bunker

MEMBERSHIP of the Lloyd's of London insurance market dropped by 2,200, or about 7 per cent last year, the biggest annual fall since the late 1960s and the first time this decade that its membership has failed to show a sizeable increase.

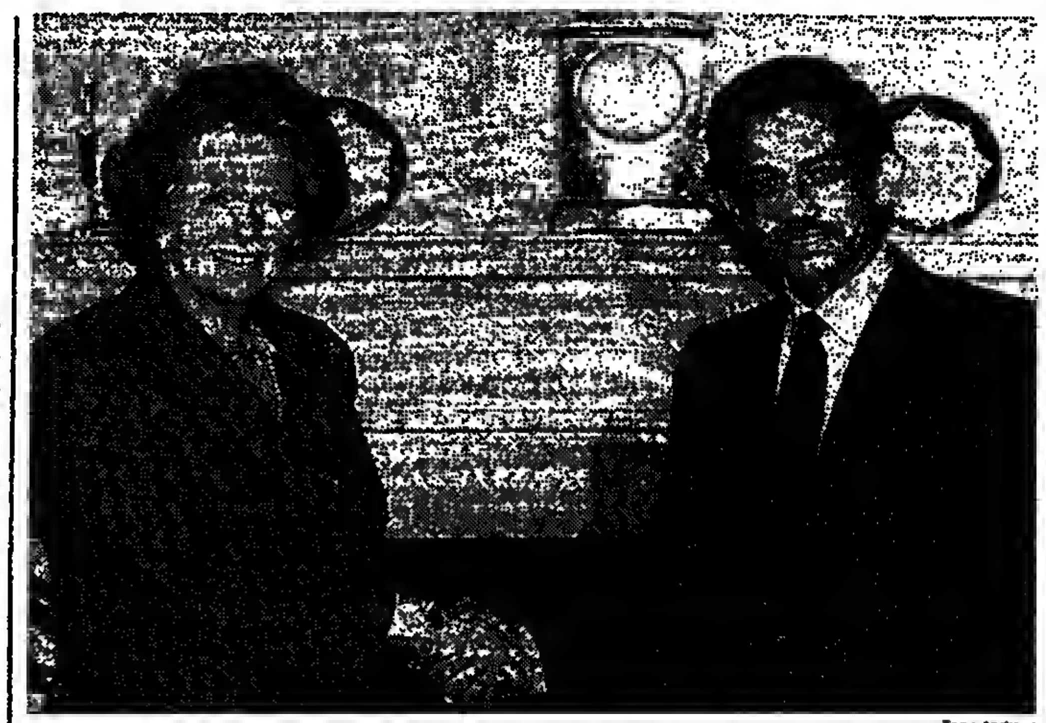
Apart from deaths among the membership, the decline reflects the scale of resignations from Lloyd's, prompted by factors including fears over mounting asbestos and environmental pollution-related claims from the US, the erosion of the traditional tax advantages of Lloyd's membership, and the current downturn in the international insurance industry's business cycle.

Official figures released by Lloyd's yesterday showed that 31,300 people will be active as underwriting members of the market this year, compared with 33,532 at the beginning of 1988.

An estimated 1,750 members resigned during 1988, close to a forecast of up to 1,700 made last August by Mr Alan Lord, chief executive of Lloyd's. Only 970 people started underwriting as new members on January 1 1989, however, more than 100 short of another prediction by Mr Lord that there would be 1,100 new recruits.

More than 3,800 existing members of Lloyd's have increased the amount of business they intend to underwrite, meaning in practice that the market's capacity will be little different this year than last.

Lloyd's said yesterday that its membership would be grouped into 407 actively operating syndicates this year, up from 376 in 1988, comprising 183 non-marine, 135 marine, 44 aviation, 37 motor and eight short-term life. Most of the new syndicates are in the non-marine sector, Lloyd's said



Tony Andrews

Mrs Margaret Thatcher, the British Prime Minister, greeting the Sultan of Brunei yesterday after talks at 10 Downing Street, her official residence

Rolls-Royce lifts world sales

By John Griffiths

ROLLS-ROYCE was alone among European luxury car makers last year in increasing its sales in the vitally important North American market, which accounts for some 45 per cent of the company's sales worldwide.

North Americans bought 1,269 Rolls-Royce and Bentley cars, more than in any year since 1978.

The increase over last year was only a marginal one, however – of 1 per cent over the 1,256 units in 1987.

Rolls-Royce's total world sales last year reached 2,801. This was the highest since 1981, but it represented only a modest increase – of 0.6 per cent – over the previous year's 2,784.

After the drop in sales being experienced by other European luxury car makers, Rolls-Royce's performance was proclaimed yesterday as "a major achievement" by Mr Malcom Hart, sales and marketing director of the Vickers group subsidiary.

His statement came as Jaguar disclosed that its US sales in December fell 28.4 per cent to 2,040 from 2,848 a year earlier. Jaguar said that for the full year, sales were off 9.6 per cent to 20,727 from 22,919 in 1987.

Rolls-Royce's North American performance was helped by the introduction there of the high-performance Bentley Turbo R model in October, which helped to bring Bentley's share of North American sales to 323 units.

Sales in the UK were 2.2 per cent up at 861 units, compared with 842 the previous year, although this increase lagged well behind the 10 per cent growth in the UK new car market overall.

Mr Hart said that strong demand continued in the company's major markets and the group looked forward to a further sales rise this year in 1989.

Rolls-Royce still has some way to go to overtake its record world annual sales figure of more than 3,300 in the mid 1970s.

Nevertheless, it continues to make steady progress towards fulfilling the prediction of Mr Peter Ward, managing director, of again achieving more than 3,000 sales a year after 1990.

Fall in savings ratio to record low highlights spending boom

By Ralph Atkins, Economics Staff

UK PERSONAL savings as a proportion of income fell to a record low in the three months July to September last year, according to official figures released yesterday.

Strong rises in consumer spending in excess of income growth meant the proportion of income saved was lower than in any previous quarterly period, the Central Statistical Office said.

The drop highlighted the buoyancy of the personal sector of the economy in late summer when Mr Nigel Lawson, the Chancellor of the Exchequer, engineered rises in interest rates to try and slow growth to a more sustainable rate.

Further evidence of the strength of the economy last year came in figures showing companies profits continued to grow at a fast pace in the three months to September.

During that period the savings ratio – saving as a proportion of personal disposable incomes – fell to just 1.3 per cent. That compared with 2.1 per cent in the previous three months and 5.0 per cent for the whole of 1987.

Although the latest figure was the lowest for any quarter on record, annual records suggest the ratio was slightly lower during the late 1940s.

Caution is needed in reading too much into individual figures because of difficulties in compiling the series. But the trend during the 1980s appears clear cut.

From a peak of more than 16 per cent at the end of 1979, the ratio dropped steadily until 1985 from when the rate of decline accelerated.

Savings are calculated as the diffsrence between incomes and expenditure. Both these are large numbers and a small revision to either can lead to big changes in estimates of the savings ratio.

The Treasury said the ratio was a particularly vulnerable series. It said the latest figures referred to a period when consumer spending was known to be strong and corrective action had been taken.

CSO figures show consumers expenditure was 3.7 per cent higher in the three months to September than the previous three months after seasonal adjustment and 11.8 per cent higher than the corresponding period a year before.

Total personal disposable incomes were 2.8 per cent higher than the previous three months and 9.1 per cent higher than the corresponding period a year before.

Mrs Joanne Curley, economist at Morgan Grenfell, said "It does seem to be suggesting that domestic demand has been under-estimated."

She estimated that if pension funds and property ara excluded from savings, 80 per cent of households are spending more than they earn.

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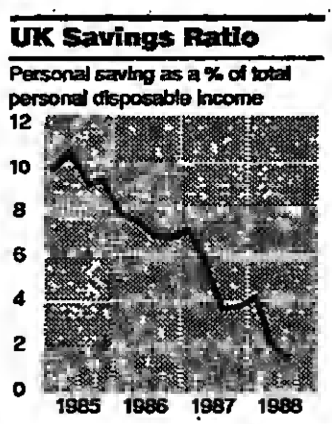


Clowes' auditors face disciplinary inquiry

By Richard Waters

THE TWO audit firms which acted for Barlow Clowes, the collapsed investment group, have been referred for investigation to the disciplinary committee which handles only the moet eerious complaints against accountants.

The Joint Disciplinary Scheme, which on average covers only three cases a year, will look into the actions of the two firms and one other individual accountant.

None of these has been named, but they are understood to be Spicer & Oppenheim and Touche Ross, two of the leading accountancy firms, and Mr Christopher Newman, the former finance director of James Ferguson, the ultimate owner of Barlow Clowes after 1987.

The JDS is only used for matters of serious public concern. Few, if any, inquiries by the JDS result in the accountants concerned being fully exonerated.

The Institute said, though, that the decision to refer the matter to the JDS "does not represent a decision that a prima facie case has beem made out against" any of those concerned.

The referral follows a two-month investigation by a special investigation committee set up by Institute to look into the affair. It based its recommendation to refer the matter to the JDS on papers handed over to the Institute by the Department of Trade and Industry and the Securities and Investments Board. Both of these bodies carried out their own investigations into Barlow Clowes earlier in the year.

In a statement, Spicer senior partner Mr David Young said the inquiry would give his firm the first chance to explain its role in the affair.

Spicer, which audited the UK arm of the group, has faced considerable criticism over the clean audit reports it produced on the group between 1984 and 1987.

A Department of Trade and Industry internal inquiry into why it continned to licence Barlow Clowes, even after it had received warnings about the gronp, concluded that it relied heavily on assurances given by Spicer.

Before issuing a licence in 1985, the DTI asked Spicer to conduct an audit of the client accounts and this revealed no problems.

Spicer has refused to comment on these criticisms, but is believed to feel that the DTI placed excessive reliance on the audit.

The regulators did not share their concerns with the auditors at the time, who were therefore not alerted to the possible dangers and so did not strengthen their audit procedures to take account of the DTI'e fears.

The second accountancy firm involved, Tonche Ross, did not carry out any audits of Barlow Clowes, hut reported on the acquisition of Barlow Clowes by James Ferguson

This report in part drew attention to various unusual transactions between companies within the Barlow Clowes group. These have have subsequently been shown to have involved investors' money.

Touche Ross was unavailable for comment.

High-level forum proposed to bring together government, academics and business

Industry-university link to be studied

By David Thomas, Education Correspondent

LEADING British companies and the Government are to launch a joint inquiry into the links between industry and universities as part of a drive to bring the two sides closer together.

Plans are also in train to set up a forum linking business, academia and Whitehall and for a guide on best practice in industry's developing links with the universities.

The study of industry's contacts with universities will be conducted by Mr Gareth Williams, professor of educational administration at London University's Institute of Education. The project will be funded by the Department of Trade and Industry and a pressure group representing leading companies.

While links between industry and universities have grown rapidly in recent years, there is considerable uncertainty as to precisely how extensive they are.

University statistics tend to concentrate on industry's research contracts with universities, which is only one facet of the relationship.

In 1986-87, industry placed £68.6m of research contracts with UK universities, just over 2.5 per cent of their total income.

The study and will assess which forms of contact offer the most potential for future collaboration.

The Council for Industry and Higher Education will also launch by the middle of this year a forum bringing together senior representatives of business and the universities. The forum will also have participation from Government agencies.

The forum, which would be modelled on a similar body in the US and agreed with the Committee of Vice-chancellors and Principals, will discuss questions such as the pattern of funding between the two sectors and will aim to keep np the momentum behind tbe links between the two sides.

Mr Patrick Coldstream, the director of the council, is also planning to issue next year a detailed dossier on industry's links with universities. This will draw out examples of best practices in their relationships.

UK may pull harder in drive for investment

By Hazel Duffy

LORD YOUNG, Trade and Industry Secretary, is looking at measures to strengthen the way that Britain sells itself overseas as a place for foreign investment.

More staff to be directly employed by the Invest in Britain Bureau (IBB) – which promotes Britain overseas – is one possible outcome of a review being conducted by the Trade and Industry Department.

The main reason for Lord Young's concern is the growing attraction of continental Europe as a location for mannfacturing in the run-up to the single European market. Surveys conducted by the IBB have shown that US companies, and more recently Japanese, have frequently favoured the UK for language reasons.

The Government is satisfied with the level of foreign investmeot in the UK last year, which followed on several similarly good years.

But there are signs that the UK'e attractions are being outweighed by other factors in Continental countries, particularly access to markets and the easier process of qualifying for Government grants. Texas Instruments, for instance, decided recently to put a new plant into Italy for which Britain had been bidding.

High returns from commercial property 'to peak next spring'

By Paul Cheeseright, Property Correspondent

THE HIGH level of returns from commercial property investment will reach a peak next spring and then fall away, says Richard Ellis, chartered surveyors.

This forecast reflects concern in the property industry that a boom which started in 1986 could fall prey to a more general economic downturn. However, returns from the property sector, reached by measuring capital value and rental income, are still likely in 1989 to be substantially higher than those for gilts or equities.

The Richard Ellis assessment of the market is one of several just published as property analysts among the chartered surveyors peer into the future for a market which has seen growth spread out from central London and the south east.

The assessments are generally optimistic abont future growth. But confidence has been slightly eroded by the growing realisation that the building boom in the City of London is likely to change the balance between landlords and tenants in favour of tenants, as well as by predictions of lower economic growth, the rise in interest rates and signs of strain in the retail sector.

J.P. Sturge noted thet "the property cycle lags behind the economic cycle; if we have a slowing of the economy in 1989, this will affect property in 1990."

Healey and Baker warned, meanwhile, thet the institutional investor, "whose performance is measured purely on a short-term basis will have difficulty in maintaining the overall returns to which managers have become accustomed in the past 24 months. For those who are able and willing to take a longer view, there are likely to be exceptional opportunities in the next 12 months."

Over 1988, Richard Ellis put total returns from property at 35.2 per cent. They rose steadily through the year. At the end of September, Weatherall Green and Smith had put returns at around 30 per cent.

The most signficant feature of the 1988 market was a slight fall in returns from retail property, a consistently high performance from offices and a marked increase in industrial property returns.

Richard Ellis expects returns for the whole sector will reach 36 per cent for the year to the end of March 1989 before slowing to 27 per cent for the year to November 1989.

Such a slowdown masks an exceptional level of development activity, despite the high level of interest rates. Indeed, Bank of England figures show that total bank lending to the property sector is approaching £19bn.

There is also growing investment interest from the financial institutions on the basis thet, as Healey and Baker put it, "there is little to suggest that either the equity or the gilt market is structurally more attractive in the short term."

The chartered surveyors are confident that in both the office and industrial sectors, development and investment throughout the regions will continue. "There is a strong underlying demand for good modern floorspace and the lack of significant development since the early 1980s has created a supply shortage," said Grimley JR Eve.

Richard Ellis believes that the market has been catching up after years of stagnation in the mid-1980s. "A passage of more modest but soundly based growth is due," it said.

THE PROPERTY MARKET

Markets preparing for the downturn

By Paul Cheeseright

Languor has drifted over the property shares market. The spurt of energy set off by the Rodamco bid for Hammerson last November dissipated. Prices have been sliding. So it has not been an invigorating New Year.

It is all in sharp contrast to the direct property market. The latest Richard Ellie monthly index showed that there was a total return on investment in the sector of 35.2 per cent for calendar 1988, with capital growth of 28.1 per cent, roughly double that of 1987.

Few believe that the direct property market can continue at this rate and it is clear the share market is anticipating a downturn. It is saying that the party is over.

But it was quite a good party while it lasted. Property shares have been among the best performing sectors of the stock market over the last year. The heady days before the October 1987 Crash were never quite recaptured. The FT-Actuaries Property index climbed from 975.44 at the beginning of 1988, touched a peak of 1318.34 on November 23, 56.52 points under the peak of July 1987, and then fell away to 1206.26 by the year's end.

Even after the slide, though, property shares remained more expensive to buy than other sectors of the market. The average price-earnings ratio in the property sector at the end of 1988 was 21.72, compared with 11.30 for the stocks in the FT-Actuaries 500 share index.

Yet, although property shares might look expensive relative to the rest of the market, many of them are cheap in their own terms. The average discount of share prices to net asset values is over 25 per cent and in some cases as high as 40 per cent.

This not only puts share prices back to the level of before the bull market but means that "they are discounting any gains in the next two years of asset value," as Nick Hunter-Jones of Banque Paribas Capital Markets put it. "The property sector is discounting so much bad news, it can't fall very much further," said Gareth Evans of Chase Manhattan Securities.

This bad news is a mixture of general economic factors, like the rise in interest rates and the prospect of slower economic growth, and specific sector problems, like the escalation of construction costs, the introduction of the uniform business rate, the manifest strain in the retail market and last, but by no means least, the balance of the City of London property market.

These difficulties are not going to disappear. To that extent, the immediate prospects for the property share market are scarcely encouraging. Property shares, indeed, have become progressively divorced from the performance of the direct property market. They are more closely related to the sluggish general equity market.

There is thus a situation where edginess about how long the boom in the direct market will last has run into the stream of general concern about the economy.

If the economy slows down but continues to grow, then property shares might be expected to bump along at roughly their present levels. That is, the relationship of market prices to net asset values would remain broadly the same as they are now. If, on the other hand, economic growth halts and pushes the general equity market down, then property shares will go down too.

The psychology of the market – talking itself into the end of the boom when that boom still has some time to run in terms of rental growth and capital growth – means that the likelihood of impressive corporate earnings and solid asset increases will probably be ignored. The benchmark for that could be in May, when Land Securities announces its results. The movement of the market naturally will be crucially affected by the institutions. Their interest in the property share market waned after October 1987 and involvement has been weighted towards shares with a solid asset backing. They have not been enthused by the developer-traders.

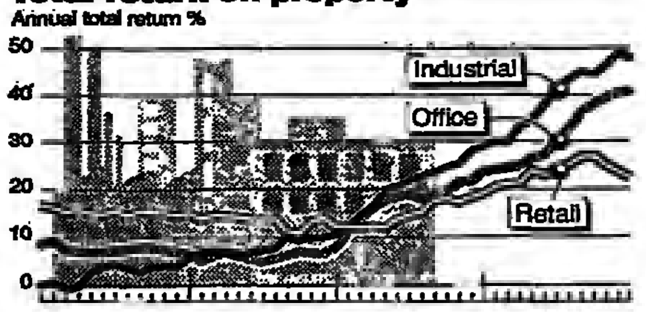
Although the institutions have been raising their investment in the direct property market, there is no evidence that they are thinking more kindly of property shares. There seem to be two reasons for this.

First, in many institutions there is little liaison between the equity and property departments. If the institutions are showing little interest in the equity market then the chances of them showing much interest in property shares are slim.

Second, as Chris Turner of Barclays de Zoete Wedd Investment Management, noted, "Institutions buy property towards the end of the cycle. In equities they buy before growth appears."

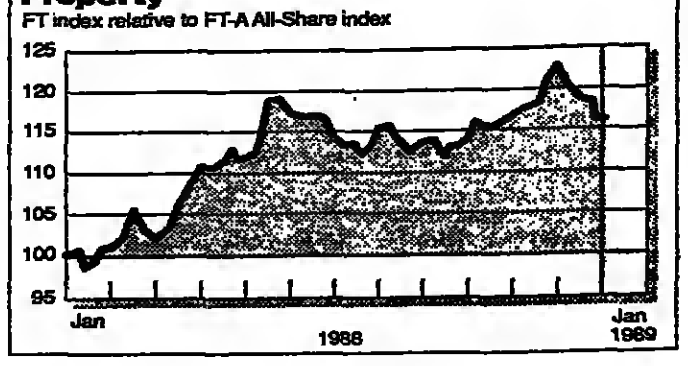
Without a general push behind the market, such excitement as might arise over the next few months will come from special situations. And there should be quite a few of those if stocks remain undervalued and financially overstretched companies find themselves looking for a saviour. This is a time for steady nerves, calculated boldness and plenty of cash.

Total return on property
Annual total return %



Source: Richard Ellis Research

Property
FT index relative to FT-A All-Share index



The shift to cash bids

TAKEOVER activity on the market should increase this year. It would not be surprising to see increased foreign interest in asset-rich companies. It would not be surprising to see some casualties among developers struggling with decent but over-geared projects in the face of higher money and construction costs.

The relative cheapness of share prices will make it easier for potential predators to build up initial stakes, although once takeover battles are engaged, defensive property valuations will pull up market-related offer prices.

Major bids in the property sector have been few and far between. Until Rodamco's £1.2bn bid for Hammerson in November, noted Citicorp Scrimgeour Vickers, takeovers and agreed mergers in 1988 had been confined to less than £600m compared with £1.87bn in 1987.

Robert Ringrose of Phillips and Drew has noted that there are broadly three types of bid. First, there is the bid from overseas – Wereldehave for Peachey Property, Rodamco for Hammerson and, stretching the trend, the purchase of a stake by Olympia & York in Stanhope Properties.

Second, there are the defensive mergers when two companies come together to turn relative weakness into relative strength, as in the case of Imry and City Merchant Developers.

Third, there are movements into the sector from those outside, like, for example, the takeover of Grosvenor Square Properties by Associated British Ports and the takeover of Lynton Property and Reversionary by BAA (once British Airports Authority).

But given the state of the market, any continuation of this trend will almost certainly involve the use of cash rather than paper. Before the October 1987 Crash, many mergers were done with paper, for which the institutions seemed to have an insatiable appetite.

After the Crash, the institutions found they had indigestion. That has now gone. But the fund managers are not inclined to go down the 1987 route again and risk new exposure in the sector. There is not much point in taking on new issues when there are so many stocks lying around waiting to be picked up at substantial discount to their asset values.

It is a fair bet that the most controversial bids will be for the asset companies, as with the Peel Holdings attempt to gain control of London Shop. If there are mergers among developers then they are more likely to be agreed deals, once predator and victim have examined together each of the projects. Taking over existing investments is easier than taking over the half-finished.

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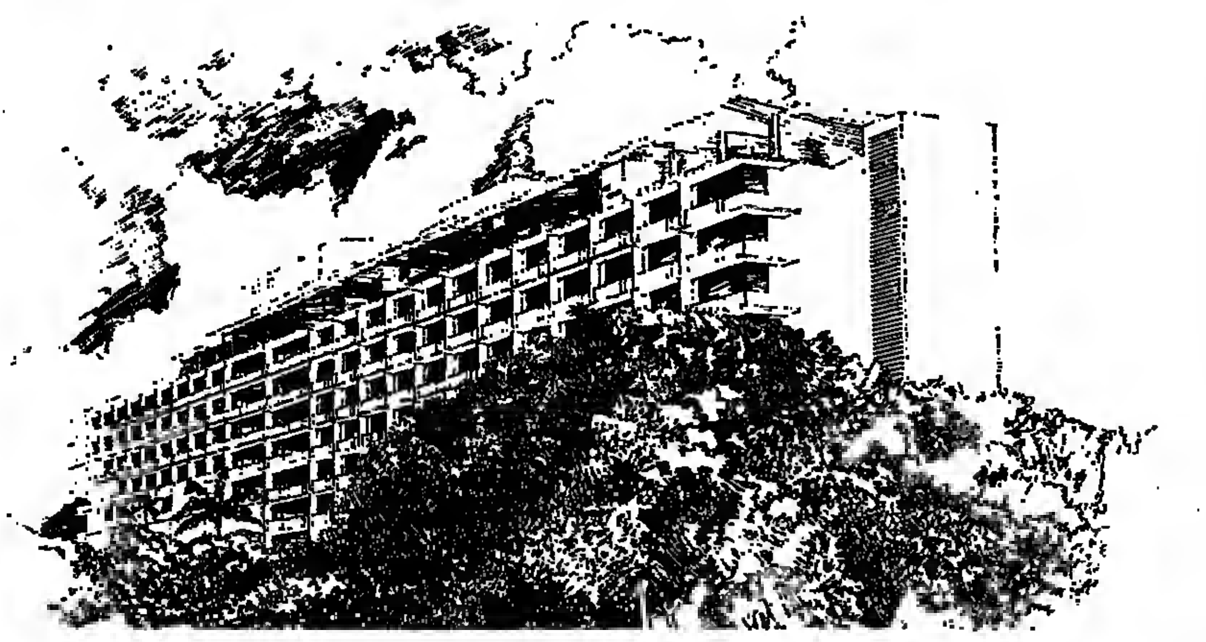

The Financial Times proposes to publish these surveys during 1989.

January 1989	Property Auctions
March	West End and Victoria Property
March	Property in Manchester
April	Property Investment and Finance
April	Property in Leeds
May	Property in London Docklands
June	Office Property
June	Marina and Waterfront Developments
July	Property in Birmingham
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COMPANY NOTICES

DRAFT EDUCATION DEVELOPMENT PLAN

On 1st April 1990 the Corporation of the City of London will assume responsibility for education services in its area. A draft Plan has now been published setting out its proposals for education in the City of London. Copies will be available for inspection in the Town Clerk's General Office and the public libraries in the City.

Comments on the draft Plan will be welcomed and should be sent to the Town Clerk, P.O. Box 270, Guildhall, London EC2P 2EJ by 31st January 1989.

CITY OF LONDON

AIR PRODUCTS AND CHEMICALS, INC.

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Copies of the Air Products and Chemicals, Inc. Annual Report and Consolidated Financial Statements for the year ended 30 September, 1988 are available from the ground floor reception desk of Baring Brothers & Co., Limited at the undermentioned address:

Baring Brothers & Co., Limited
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ABBEY NATIONAL BUILDING SOCIETY

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Notice is hereby given that for the Interest Period from 23rd December 1988 to 23rd March 1989, the Note will carry a Rate of Interest of 13.65% per annum. The amount of interest payable on 23rd March 1989 will be GB £ 4,038,903.60.

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PUBLIC NOTICES

Petition North Sea Assets plc, a company incorporated under the Companies Acts 1948-1967, having its registered office at 16 Charlotte Square, Edinburgh

For Confirmation of Reduction of Capital and Reduction of Share Premium Account

The following Interlocutor was pronounced by the Court of Session on 21 December 1988:-

Edinburgh, 21 December 1988
The Lords having heard Counsel for the Petitioners allow the Petition to be amended as proposed at the Bar and having considered the Petition, as amended along with the Report by J.H. Mactie, W.S., direct that the provisions of Section 13b (2) of the Companies Act 1985 shall not apply as regards the creditors of the Petitioners or any class of them; confirm the reduction of share capital and share premium account resolved on by the Special Resolution passed on 17 December 1987; approve the proposed Minute set forth in the Petition; direct the registration of this Order and of said Minute and a Certified Copy of the Undertaking, No. 21 of process, by the Registrar of Companies and on said Order, Minute and Undertaking being so registered order notice thereof

"to be given by advertisement once in The Edinburgh Gazette and once in each of The Scotsman, The Glasgow Herald and The Financial Times newspapers and decern." "Emslie LP.D."
In compliance with this interlocutor, the Minute, Certified Copy Undertaking and Interlocutor itself were registered with the Registrar of Companies on 22 December 1988.

Of which notice is hereby given.

Shepherd & Wedderburn, W.S.
17 Charlotte Square, Edinburgh
Agent for Petitioners

LEGAL NOTICES

No. 008880 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
CONSOLIDATED GOLD FIELDS PLC
and
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 16 December 1988, confirming the reduction of the Share Premium Account of the above-named Company by £300,000,000, was registered by the Registrar of Companies on 20 December 1988.

Dated the 6 January 1989

Freshfields (IKT/RDC/JNEW) of Walden House, 17-24 Cathedral Place, London EC4M 7JA, Solicitors for the above-named Company.

LEGAL NOTICES

In the matter of
ADDLINK LIMITED

and in the matter of the
Insolvency Act 1986

Registered number 2012486
Trading name ADDLINK LIMITED
Nature of business COMPUTER PERIPHERALS - MAILORDER
Trade classification 21
Date of appointment of administrative receiver(s) 16th December1988
Name of person appointing the administrative receiver(s) Barclays Bank Plc.
(d) N J Vooght & J M Iredale
Joint Administrative Receivers
(office holder no(s) 006329 & 001746) of Cork Gully
Phoenix House
Station Hill
Reading
Berkshire RG1 1UN

PORTFOLIO CERAMICS LIMITED

Registered number: 1954462
Nature of business: Wholesalers of Ceramic Tiles.
Trade classification: 15.
Date of appointment of administrative receiver 23 December 1988.
Name of person appointing the administrative receiver: Lloyds Bank plc.
JOHN FREDERICK POWELL
Administrative Receiver
(Office holder no 249) of Cork Gully, 43 Temple Row, Birmingham B2 5JT

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MANAGEMENT

The conventional wisdom in the City of London is that clearing banks do not make good parents to merchant banks, despite the potential advantages of the relationship.

Ideally, the two should complement each other, with the clearers providing the brawn of immense balance sheets and the merchant banks supplying the corporate finance know-how. But despite several attempts to make a marriage in the past, no clearing bank-owned merchant bank has ever shone brighter than the rest. If anything, the opposite has happened. The relationship has foundered on cultural differences: the clearer has taken fright at its subsidiary's freewheeling ways, and the merchant bankers have resisted their parents' suffocating embrace.

But the clearing banks have not given up hope. Today, three own traditional City merchant banks, more than ever before, and that excludes the merchant banking departments which other clearers have developed on their own. Does this mean the clearers have finally found the right formula, or will these ties go the same way as those before?

The three banks in question are Midland Bank, with Samuel Montagu, the Royal Bank of Scotland with Charterhouse, and most recently the Trustee Savings Bank with Hill Samuel.

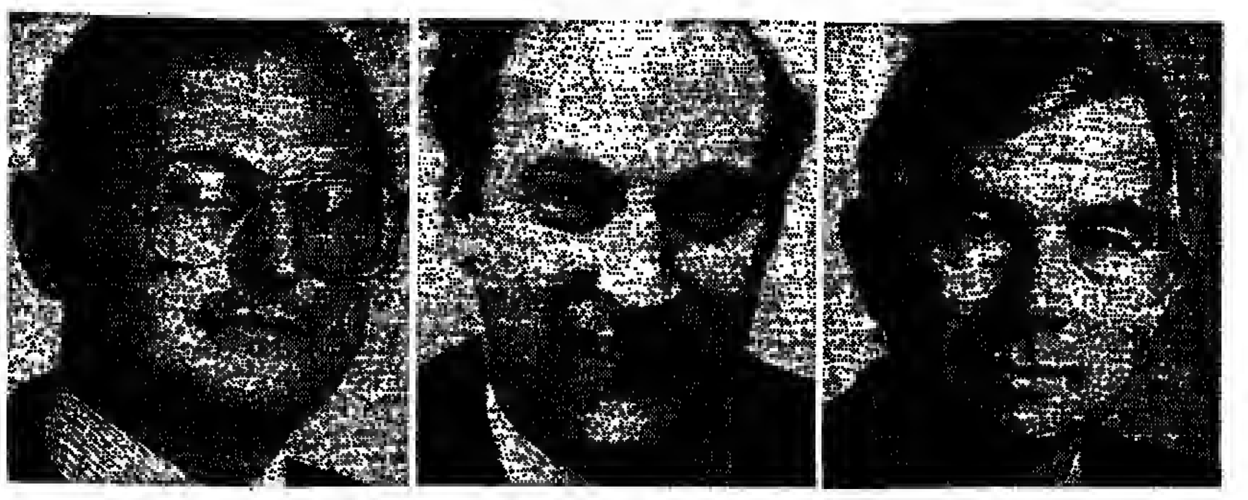
Midland has owned part or all of Samuel Montagu for 15 years, many of them turbulent, particularly around the time of Big Bang when Montagu tried unsuccessfully to put together a fully-fledged investment banking business. In the messy aftermath, Montagu almost disappeared completely; it was folded into Midland's new investment banking division, where its 130-year-old name was to be expunged. But that decision was later reversed, and Samuel Montagu & Co has since re-emerged as an identifiable unit within the group.

Today, Samuel Montagu is part of Midland Montagu, as Midland's investment banking arm is now called, where it retains something of its merchant banking culture, though less of its earlier autonomy. It is no longer housed in a separate building, and its chief executive, Christopher Sheridan, answers to George Loudon, Midland's newly appointed head of corporate banking, instead of directly to the group chief executive.

Many of the lines of business, which once covered the whole merchant banking gamut, have also been sold or parcelled out within Midland, leaving Montagu with two principal ones.

The first, based on its banking division, is specialised financing which puts together packages of complex, often quite large, debt finance for corporate customers, and then syndicates them to other banks. The second is corporate finance: mergers and acquisitions, flotations and advice, the traditional merchant banking preserve.

The reshaping of Montagu was traumatic. But there has been a growing sense of purpose over the past two years as the bank has begun to make



(L to r): Christopher Sheridan of Samuel Montagu, Victor Blank of Charterhouse, and Hamish Donaldson of Hill Samuel: may now have established the right formula

Heart of the family or arms' length?

David Lascelles explores the differing relationships between three UK clearers and their subsidiary merchant banks

its mark again. In specialised financing, Montagu now claims to be the market leader in sterling deals, and seventh in foreign currency deals.

In corporate finance, it has also achieved a prominent place in the league tables, lying 8th for 1988 with 18 deals worth £3.7bn. Its achievements during the year included floating British Steel and advising on aggressive bids like Goodman Fielder Wattie/Rank Hovis McDougall, and Mecca/Pleasurama.

Montagu's resurgence is based on two things. One, according to Sheridan, is a sharp improvement in its relations with its parent. The earlier cultural gulf between clearing and merchant bank has been narrowed with the arrival of Sir Kit McMahon as Midland group chief executive and chairman. Sir Kit, a former deputy governor of the Bank of England, has brought a clearer understanding of merchant banking to top management, and his personal selection of Loudon, a sophisticated international banker, as head of corporate banking has reinforced the change.

Furthermore, the transfer of David Potter, former head of Montagu's capital markets division, to a senior position in Loudon's division in Midland has created a further bridge between the two banks. "Before, we seldom got introductions from Midland. Now all that has changed. The group has become more conscious that the link is valuable," says Sheridan.

The better relationship has also given Montagu fuller access to Midland group resources to fund the big deals, which adds to its clout in the marketplace. According to Ernest Cole, who heads specialised financing, "we get rapid decisions out of Midland - in a matter of hours."

Montagu has made a point of developing an aggressive image for itself because, lacking the blue chip client list of some of its competitors, it is trying to woo growth companies needing access to funds on a big scale. "If companies want some aggressive financing, they go somewhere which has big muscle," says Ian McIntosh, head of corporate finance.

Charterhouse has preserved a greater degree of independence from its parent than Montagu; partly because the group has undergone less of an upheaval, but also, no doubt, because of the geographical distance which separates the London-based merchant bank from its Scottish parent. "It's run with a very light touch from Edinburgh," says Victor Blank, Charterhouse's chief executive. "And that's important to the people here."

Charterhouse has reinforced its independence by remaining a more fully fledged merchant bank than Montagu since it was acquired by the Royal in February 1985. Aside from the traditional merchant banking services, it has a well-developed venture capital side, and is involved in stockbroking too. Recently, it also began to handle treasury hedging services for the Royal group as a whole.

Although Charterhouse has featured less prominently in the league tables in 1988 than in the previous year (when it came 5th) because it handled fewer large deals, it is generally reckoned in the City to have become a more substantial force in corporate finance through the depth of its expertise and funding resources. Like Montagu, it draws on its parent's balance sheet when it needs to, though this is rare, according to Blank, having happened only a couple of times in 1988.

Where Montagu and Charterhouse have run into trouble with their parents, though, is over conflicting client interests. Both merchant banks have advised companies which launched hostile bids on their clearing bank parents' clients, causing those clients to sever their relationships in anger. This happened to Midland when Rank Hovis McDougall was being bid for by Goodman Fielder, and to the Royal when Charterhouse was helping News International bid for William Collins.

The furore obliged the Royal to restate its policy that it treats all its customers equally, and cannot therefore favour one over another. Blank at Charterhouse also puts his point of view: "A merchant bank has got to have its own client base and its relationships."

At Midland, they also say they have a duty to both relationships, though they try to take a more pragmatic view. When conflicts occur, they are often discussed at the highest levels in the group, and decisions made on who, if anyone, to support. "There are relationships, but you have to be *ad hoc* about it," says Sheridan.

These are not problems which yet confront the TSB and Hill Samuel, which are still feeling their way a year after they merged. The start was not auspicious; Hill Samuel was in turmoil after its abortive merger attempt with the Union Bank of Switzerland, and a large part of its corporate finance department deserted it. The TSB also sold off or closed down Hill Samuel's securities operations.

But substantial structural changes have now been made to both banks to accommodate the link-up. Hill Samuel has a much better corporate client list than the TSB, so it has been put at the forefront of the TSB's drive into the company banking market. It has thus been given a role within the group which extends far beyond its traditional merchant banking borders, covering commercial lending as well as corporate finance.

A merger has also been made between Hill Samuel's treasury division, which is strong on the foreign exchange and hedging side, and the TSB's sterling money markets operation which is one of the country's largest suppliers of inter-bank funds to the sterling markets. Lord Cobbold, who heads the operation, claims it will be one of the most powerful of its kind in the City.

Not surprisingly, the radical reshaping of Hill Samuel has created considerable anxiety among its staff, for many of whom the TSB exemplified clearing banking at its dullest. But it may be too early to judge the reorganisation, and the arrival of Sir Nicholas Goodison, the former Stock Exchange chairman, as TSB chairman early this year should help narrow the cultural gap. Hamish Donaldson, the chief executive of Hill Samuel, maintains that the relationship has settled down more quickly than many people expected. "It's made us part of a group ten times the size and it's given us stability," he says. "They provide us with the right sort of guidance, but it's not bureaucratic."

There are few common features to the way these three groups have managed their merchant banks. Charterhouse has preserved much of its original character, and has made the most of its long leash to develop a distinctive business. Hill Samuel has probably preserved least, having been closely assimilated into the TSB's plans to develop its corporate and treasury banking activities. Samuel Montagu performs the role of supplier of specialised merchant banking services for the Midland group.

At all of the banks, there is a consciousness of the benefits that co-operation can bring - but also of the sensitivities. "The advantages of having a clearing bank behind you far outweigh the disadvantages," says Sheridan, who maintains that Montagu owes a considerable amount of its profits directly to links with its parent. Previously fewer than 5 per cent of Montagu's corporate finance fees came from Midland customers; that figure is now much higher, he says.

But Blank is warier of concluding that Charterhouse is a substantially more profitable house through being part of the RBS group. "In terms of the bottom line, it's very hard to identify. It's probably not a great deal. But what we can say is that we are part of a major, stable group who are building for the long term, and will not be sacking 100 people next week."

Management abstracts

Biometrics: the future in security methods? *S Bakst in The Office (US). July 88 (2 pages)*

Looks at biometric security devices (eg fingerprints, retina scans) for computer access, and highlights obstacles to their use such as high cost and unreliability. Provides some criteria for system selection and a glossary of biometric terms.

Time: the next source of competitive advantage. *G Stalk in Harvard Business Review (US). July/Aug 88 (9 pages)*

Contends that the ways in which leading companies manage time - in production, new product development and introduction, sales and distribution - represent the most powerful new sources of competitive advantage; here again, Japanese experience and practice provide the most instructive examples.

Looks at how Japanese manufacturing has progressed through capital intensiveness, focused factories and flexible manufacturing in the constant search for improved productivity and lower costs, and has now shifted to time-based competitive strategies which differ from the traditional in length of production runs, organisation of process components, and complexity of scheduling procedures. Gives examples of the strategies from Toyota and Mitsubishi; points to one US manufacturer, Atlas Door, which has adopted time-based strategies, and is now in the leading competitive position in its industry.

Lessons that auditors ignore at their own risk. *W D Hall and A J Renner in Journal of Accountancy (US), Jul 88 (4 pages)*

Discusses the warning signs, particularly in fast-growing clients, which auditors should recognise in order to prevent litigation against themselves - these range from weak internal control coupled with aggressive management through to changes in the way business is done; concludes by recommending the use of sceptical business judgment, not procrastinating when problems are encountered and not yielding to undue pressure or unrealistic deadlines.

Dominant executives can damage a company's health. *G Mills in The Accountant (UK), Aug 88 (2 pages)*

Believes that the development of the combined chairman/chief executive role runs contrary to the intended role of board directors - the review, evaluation and control of management composition and standards of performance. Then contends that acquisition and divestment have become acceptable alternatives to good management, with senior management salaries being linked to turnover which is increased by acquisitions. States that there is little non-executive directors can do but suggests ways of strengthening their role, such as requiring that they spend at least 24 days a year on company business.

The role of the budget. *S R Lyne in Accounting and Business Research (UK), Summer 88 (18 pages)*

Examines the perceived and desired role of the budget in 13 UK companies and finds that it is generally used as a forecast rather than a target and is also used as a control device; looks at the role and effects of budget pressure and the extent of, and desire for, participation in the setting process together with some differences between the US and UK. Admits that a sample of 13 is not overly conclusive, but the various "propositions" raised may serve to concentrate the mind.

Meeting the mindless. *G D Kieffer in Across the Board (US), Jul/Aug 88 (3 pages)*

Explores the credo that fewer but better meetings imply more effective management, by examining examples of no-win meetings, ad-lib, ill-conceived, and unnecessary meetings, and meetings called for the wrong reasons; advises the busy executive to try and say "no" more often in response to requests for meetings.

Presenting the right message: employee conference. *Audio Visual (UK), Aug 88 (4 pages)*

Reveals why Woolworth followed a lavish conference for 1,400 branch managers that featured a multi-image show, a cabaret, fairground rides, and wine at £30 a bottle - with a year later - a much simpler AV presentation and a harsh and strong business message based on the profit improvement formula 5+5+5=26 (or 5% less overheads, 5% less stock and 5% more efficiency generates 26% more profit). The inexpensive food was washed down with wine at £1 a bottle and non-chargeable hotel drinks. The second event was quoted as being "a great success, very much more so than last time".

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

TECHNOLOGY

Clive Cookson explains how analytical chemistry can help in the detection of plastic explosives

On the scent of a deadly vapour

There is no foolproof method of detecting bombs in airline baggage. But explosives experts say that if airlines and airports were more willing to invest in the techniques of modern analytical chemistry they would be better able to identify the sort of plastic explosives thought to have destroyed Pan Am flight 103.

The most promising approach is to check all baggage before it is loaded onto the aeroplane with both an X-ray machine and a chemical "sniffer" which takes a sample of air from the luggage and detects minute quantities of vapour given off by explosives.

The use of X-rays alone - standard practice in international airports today - is not a reliable means of spotting sophisticated terrorist devices. If, as is likely, these are simply thin sheets of plastic explosive on the bottom of suitcases, they appear as no more than a very faint shadow on an X-ray image. If the bomb's battery, timer and wiring are concealed inside an innocent-looking object such as a calculator or radio and it also has a plastic detonator, then the whole device will be extremely difficult to identify.

Ai Security of Cambridge, a leading manufacturer of explosive vapour detectors, says that it has sold thousands of machines to organisations threatened by terrorism. These are installed at embassies and government buildings, nuclear power stations and military bases all over the world. But, according to Geoffrey Bray, the company's managing director, only two international airports - Changi in Singapore and Kimpo in South Korea - routinely "sniff" baggage for explosives.

"We could completely equip a major airport such as Heathrow for well under £1m," says Bray. Luggage for the aircraft's hold would be sniffed with hand-held detectors at the check-in desk, and passengers would walk through detectors in the departure lounge with their hand baggage.

The hand-held detector takes about five seconds to analyse an air sample from a suitcase. The operator squeezes the case gently to expel a small amount of air, holding the detector's probe next to the lock or clasp.

Ai says that its instruments can detect vapour from explosives when the concentration is as low as one part in 100bn parts of air. They use an analytical technique called gas chromatography to separate the explosive vapour from any other chemicals present in the air and then detect the vapour by electron capture (see diagram). This takes advantage of the fact that all modern explosives contain a chemical grouping of two oxygen and one nitrogen atoms, known as the nitro group, which is electronegative - in other words, it readily picks up an electron.

Although traditional explosives such as dynamite give off large amounts of vapour, the modern plastic explosives favoured by terrorists are far less volatile. Indeed, in their pure form, chemicals such as PETN and RDX would not emit enough vapour to be detected by even the most sensitive sniffer.

However all commercial plastic explosives, including the notorious Semtex made in Czechoslovakia, contain impurities - other nitro compounds which give off much more vapour. Although the Czechs do not deliberately add impurities to Semtex, the manufacturing process inadvertently gives it a "signalling vapour".

Geoffrey Bray says that Ai sniffers have successfully detected Semtex-based suitcase bombs, both laboratory simulations and real terrorist devices. But it is not clear whether a terrorist could prevent detection by sealing the explosive inside a wrapping which would stop the vapour leaking out.

A quite different type of chemical sniffer has been developed by British Aerospace. This Condor system is more sophisticated and expensive than Ai's devices but so far has not been a commercial success. Condor uses the analytical technique of mass spectrometry, which depends on breaking molecules down into electrically charged fragments and measuring their weight by deflecting them with electric and magnetic fields. Mass spectrometry combined with computer analysis is an extremely powerful method of identifying tiny traces of organic molecules; indeed it should, in theory, give a more precise chemical "fingerprint" than gas chromatography followed by electron capture detection.

British Aerospace has so far sold only six Condor systems, four to the Japanese customs service which uses them mainly to detect illegal drugs, and two to an unnamed Middle Eastern country where they are linked to an X-ray machine to check air cargo for explosives. BAe says that Condor will detect "a broad spectrum of explosives and drugs even wrapped in polythene sheeting," and is disappointed that no airline nor any of the public and private bodies concerned with airport security in the UK has been prepared to finance even a development study of explosive sniffers at Heathrow.

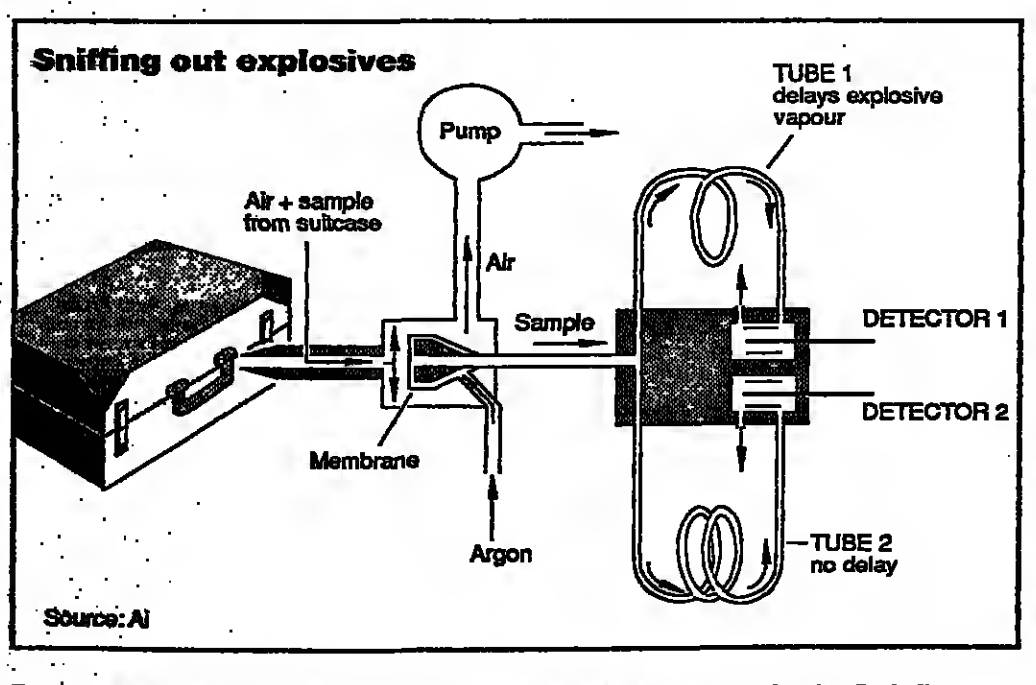
Everyone concerned with explosive detection agrees that more research and development work is required to find the best way of applying existing detection technology to airport security. Work is needed both at the logistical level - how to install new equipment to have the least disruptive effect on the flow of passengers - and at the scientific level.

For example, the best way of increasing the vapour pressure of plastic explosives and therefore making them more easily detectable is to warm them up. But it is far from obvious how to do this in practice, without imposing unacceptable delays on passengers and without damaging their luggage. One suggestion is to subject baggage to a brief burst of microwave radiation since the chemical nature of explosives, with their nitro groups, means that they should absorb microwaves and hence warm up more quickly than almost anything else in a suitcase. Another approach being tested in the US is bombardment with a beam of neutrons.

There is also scope for more use of computers in explosive detection. Computer systems, including image analysis, could be devised to alert the people operating chemical sniffers and X-ray equipment about any suspicious patterns. And the detection equipment could be linked to a system, possibly based on supermarket-style bar codes, for matching passengers with their baggage from the time they arrive at the airport of departure until they leave the airport at their final destination.

It is clear, however, that such developments will not take place without sustained political determination to prevent airline terrorism, backed up by better international co-ordination between the various public and private organisations responsible for airport security.

Sniffing out explosives



The air sample passes through a membrane which separates organic molecules (including any explosive vapour) from oxygen and other gases in the air. The sample is then split and blown by a stream of inert gas (argon) through two gas chromatography tubes.

The upper tube is coated with a special material which slows down any explosive vapour passing through it. The lower tube, which is longer, is coated with an inert material.

Each tube has its own electron capture detector. This has a source of electrons (a slightly radioactive isotope of nickel) which are absorbed by electronegative molecules such as those in explosives. When this happens, the electric current flowing in the detector cell is reduced.

The instrument compares the time taken for molecules to reach the detectors and registers the presence of explosives if they get to detector 1 later than detector 2.

Overcoming the barrier of an electronic gate

Joel Kibazo and **Paul Abrahams** look at the future of London Underground's new ticketing system

Next week, London Underground Limited begins the final phase of the introduction of its new £165m ticketing system.

Over the last month more than 100,000 people have bought annual season tickets to avoid the average 12.4 per cent fare increase on Monday January 8. These tickets - which contain magnetic stripes - will mean that the vast majority of underground users will now be able to use the electronic gates.

However, London Underground has yet to see the full benefits of the system supplied by Westinghouse Cubic, a consortium owned by Hawker Siddeley of the UK and Cubic Corporation of the US.

Clive Butcher, General Manager Operational Development at London Underground, says that the ticket-issuing machines have been an undoubted success. More than 60 per cent of all tickets are currently sold through the new machines, compared with the 40 per cent sold by the machines preceding them, some dating from the 1930s.

The doubts about the reliability of the ticket machines have been dispelled, says London Underground, pointing out that each station has a ticket machine available for 99.8 per cent of the time. Butcher says that he would be surprised if 70 per cent of tickets are not eventually sold by the new machines. He admits, however, that the electronic gates are awaiting a full test. Passengers have been reluctant to use them - London Underground estimating that only 10 per cent are currently doing so.

This is understandable, according to Butcher. "Not all of the tickets being issued were valid and not all the gates were fitted. But once all the season tickets are available in coded form and the gates are fully installed, we expect to reach a target of 90 per cent of customers going through the gates," he says. "Then they will be fully tested."

Each ticket has a magnetic stripe made from iron oxide. This stripe contains coded information about the value, expiry date and type of ticket - as on a credit or bank cash card. When the ticket passes through the electronic gate the information is read and the data stored in a buffer for subsequent analysis. Information is then rewritten on the ticket using saturating recording - meaning that all previous data is erased from the oxide stripe.

A verification head makes a final check to ensure the rewritten information is correct. If it is, the gates open and the passenger is allowed through. Unless the ticket is for a single journey, it is returned to the passenger.

London Underground will not be mounting a major publicity campaign for the new gates - it says it sees no need at the moment, especially since some gates have yet to be installed. Instead it is hoping that peak-time bottle-necks will force many passengers into using the gates. There will be posters in stations announcing the arrival of the new machines and staff currently employed as ticket collectors and travelling inspectors will be deployed to assist those who cannot operate the gates.

Even if London Underground succeeds in persuading passengers to use the gates, it remains to be seen whether the systems are reliable. Doubts were raised about the reliability of the machines after an initially unacceptably high rate of failure in machinery installed in Hong Kong and Washington by the Cubic Corporation, part of the Westinghouse Cubic consortium.

At present, London Underground is unwilling to give figures about reliability because it says they would be unrepresentative. However, a spokesman for Westinghouse Cubic pointed out that the company was responsible for initial maintenance and liable for penalties if specification targets were not met and that, so far, none had been invoked.

If the gates do prove unreliable and are not used, London Underground risks losing valuable information about passengers which can be gathered by the new ticketing technology.

The system forms a network linking 900 self-service ticket machines, 500 issuing machines at ticket offices and 861 automatic gates to three Vax computers at Baker Street in London. These have been supplied by DEC, the US computer company. Each time a ticket is issued or passes through a gate it is registered by the individual unit. These then download the information to the central computers where the data can be processed.

London Underground says the information gathered will allow managers responsible for individual lines to see the troughs and peaks of passenger use, and time trains accordingly. Similarly, the data will help management spot long-term traffic trends, and allow more efficient use of strategic resources if new underground lines are to be built.

Had such information been available previously, London Underground might have been able to plan for the 50 per cent increase in passenger traffic on the network over the last four years - today's figure is 792m passenger journeys a year.

London Underground also hopes to reduce by half the estimated £20m it loses annually in passenger and employee fraud. This is because each ticket sale will be logged at Baker Street and the gates will only accept valid tickets.

Westinghouse Cubic has a good deal riding on the successful completion of this contract. If the company manages to install the technology effectively, it could win overseas orders.

Already, it points to improved accounting procedures generated by the system. Underground staff collect £450m in cash each year, usually in small change. The new system stores details about every ticket issued by each clerk and provides reconciliation of sales and money collected. Since installation, there has occasionally been full reconciliation at every station with the Westinghouse Cubic machines - something which never happened with the old manual system.

As yet, the jury is still out. Only the customers can decide whether London Underground will reap the full benefits of its new ticketing system.

ARTS GUIDE

Arts Week

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MUSIC

London

The Philharmonia conducted by Barry Wordsworth, with Ronan O'Hora (piano). Mozrt, Schubert, Beethoven. Barbican Hall (Sat) (638 8891).
London Symphony Orchestra conducted by Richard Hickox, with soloists. Brahms, Mendelssohn, Orff (Carmina Burana). Barbican Hall (Sun) (638 8891).
Hermann Prey accompanied by Helmut Deutsch. Schubert Lieder recital. Queen Elizabeth Hall (Mon) (928 3191; cc 928 8800).
Britten String Quartet with Lynda Russel (soprano), Adrian Thompson (tenor), Iain Burnside and Imogen Cooper (pianos), Duncan McTier (double bass). Schubert. Queen Elizabeth Hall (Tue) (928 3191; cc 928 8800).
New London Orchestra. Conducted by Ronald Corp with Nicholas Daniel (oboe). Stravinsky, Poulenc, Ravel and Lennox Berkeley. St John's (Wed).
Hermann Prey accompanied by Helmut Deutsch. Schubert's Die Winterreise. Queen Elizabeth Hall (Thur) (928 3191; cc 928 8800).

Paris

Ensemble Intercontemporain conducted by Pascal Verrot. Scelsi, Ballif, Grisey, Varese Théâtre Renaud-Barrault (Mon) (42 56 08 80)
Gerhard Oppitz (piano). Brahms. Salle Gaveau (Mon) (45 63 20 30).
Ensemble Orchestral de Paris conducted by Sir John Pritchard, with Julia Varady (soprano). Britten, Mozart, Beethoven Salle-Pleyel (Tue) (45 68 88 73)
Cyprien Katsaris, Berliner Philharmonische Virtuosen. Mozart, Bach, Tchaikovsky Théâtre des Champs Elysées (Tue) (47 20 36 37)
Quatuor Orlando. Mozart, Brahms, Beethoven Salle Gavean (Wed, Thur) (45 63 20 30).
Scottish Chamber Orchestra with Philip Langridge (tenor), Henry Purcell in arrangements by Benjamin Britten Chatelet (Thur) (40 28 28 28).

Brussels

Orchestre National de Belgique conducted by Ronald Zollmann, with Bogdan Czapiewski (piano) playing Fauré, Chopin, Borodin. Palais des Beaux-Arts (Fri) 512 10 02.
RTBF Symphony Orchestra conducted by Yoav Talmi, with Silvia Marcovici (violin). Mozart, Bruch, Beethoven. Palais des Beaux-Arts (Sun) 512 10 02.
Monserrat Caballe (soprano) accompanied by Miguel Zanetti (piano). Vivaldi, Rossini, Granados Runci and others. Palais des Beaux-Arts (Tues) 512 10 02.
Orchestre National de Belgique conducted by Ivan Fisher, with Valery Afanassiev (piano).Dvorak and Brahms. Palais des Beaux-Arts (Thurs).
Monnaie String Trio with Daniel Blumenthal (piano), Hans Vanneste (clarinet), Carlos Brunee (flute), Derek Wickens (oboe), and David Miller (harmonium). Schönberg, Berg, Webern. Théâtre du Residence Palace (Thurs) 231 03 05.

Frankfurt

Frankfurt Radio Orchestra under Placido Domingo, with violinist Silvia Marcovici. A benefit concert for the reconstruction of the Frankfurt Alte Oper. Bruch and Beethoven. Frankfurt *Alte Oper (Tues).*
Katia and Marielle Labeque. Piano duo. Brahms, Ravel, Dvorak and Gershwin. Frankfurt Alte Oper (Wed).

Amsterdam

National Youth Orchestra conducted by Roland Kieft, with Victor Liberman (violin). Berg, Rachmaninov (Fri).
Royal Concertgebouw Orchestra conducted by Edo de Waart, with Alicia de Larrocha (piano). Stravinsky, Mozart, Rachmaninov, Schubert (Sun).
The Hague Philharmonic conducted by Aldo Ceccato, with Thomas Zehetmair (violin). Wagenaar, Mozart, Beethoven (Tue).
Royal Concertgebouw Orchestra conducted by Edo de Waart, with Paul Verhey (flute) and Edith Wiens (soprano). Bernstein, Zemlinsky. Concertgebouw (Thur).

Utrecht

Radio Symphony Orchestra. Jean Fournet conducting with Elly Ameling (soprano). Berlioz (Fri).
The Rotterdam Philharmonic conducted by James Conlon, with Murray Perahia (piano) and vocalists. Chopin, Mahler (Sat).
Netherlands Wind Ensemble conducted by Edo de Waart in a mystery New Year's concert (Sun, 11am).
Royal Concertgebouw Orchestra conducted by Edo de Waart conducting. Stravinsky, Mozart, Rachmaninov (Sun, 3 pm).

Rotterdam

The Hague Philharmonic conducted by Aldo Ceccato, with Thomas Zehetmair (violin). Wagenaar, Mozart, Beethoven (Fri).
Rotterdam Philharmonic conducted by James Conlon, with Murray Perahia (piano), Dawn Upshaw (soprano) and Robert Holl (baritone). Chopin, Mahler (Sun).

New York

Philadelphia Orchestra conducted by Klaus Tennstedt. Bruckner programme. Carnegie Hall (Tue) (247 7800)
Ivo Pogorelich piano recital. Brahms, Liszt, Chopin. Carnegie Hall (Wed) (247 7800)
New York Philharmonic conducted by Felix Krulikov, Ivan Moravec (piano). Brahms, Schumann, Prokofiev. Avery Fisher Hall, Lincoln Center (Thur) (799 9595)
Orchestra of St Lukes conducted by Julius Rudel, with Frederica von Stade (mezzo soprano). Poulenc, Schubert. Carnegie Hall (Thur) (247 7800)

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Shostakovich programme. Kennedy Center Concert Hall (Thur) (254 3770)

Chicago

John Weaver organ recital. Handel, Bach, Messiaen, Bingham, Franck. Orchestra Hall (Mon) (435 6666)
Mirador Ensemble. Wilder, Bartok, Mendelssohn, Stravinsky. Orchestra Hall (Wed) (435 6666)
Chicago Symphony Orchestra conducted by Erich Leinsdorf. Stravinsky, Mozart. Orchestra Hall (Thur) (435 6666)

Tokyo

Julian Lloyd Webber (cello). Rachmaninov. Casals Hall (Tues) (291 2525)
NHK Symphony Orchestra, conducted by Sir Alexander Gibson. Elgar, Tchaikovsky. NHK Hall (Wed,Thurs) (465 1781)
Stanislav Bunin (piano). Showa Women's University Hitomi Memorial Hall, near Sangenjaya. (Thurs) (237 9990)

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).
The Wizard of Oz (Barbican). Re-cast revival of last year's RSC Christmas show of the MGM film, scenically a treat but, like the Cowardly Lion, lacking heart. Ends Jan 14 (638 8891).
Richard II (Phoenix). Derek Jacobi in top form - petulant, funny, mellifluous - is both ideally cast and full of surprises as the monarch who exchanges trappings for knowledge. Otherwise, a production of prehistoric values, with creased tights, wimples, trumpets off and Robert Eddison as John of Gaunt (836 2294, CC 240 9661).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the *London stage after 10 years, is* in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).
Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).
Follies (Shaftesbury). Eartha *Kitt and Millicent Martin now* decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).
Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).
The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Jan 5-10, 19-21.
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).
The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early stories — translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).
Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Amsterdam

The Footsbarn Theatre with Babylon (Thur). Stadsschouwburg (24 23 11).
Evita, the original Broadway production with Florence Lacey (Fri). RAI Congress Centre (44 86 51).

Eindhoven

The Footsbarn Theatre with Babylon, based on Bulgakov's Master and Margarita. Stadsschouwburg (11 11 22).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than *emotions (239 6200).*
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French *diplomat* whose long-time mistress was a male Chinese spy (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).
The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American *black in history with a play, set* in 1936, about a family's arguments set round an elaborately carved heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Kabuki. The festive new year programme at Kabuki-za (541 3131) includes a popular modern kabuki play Jii-san, Baa-san (Grandpa, Grandma) at the 11.30 matinee. The evening show at 4.30 ends with the spectacular Lion Dance, featuring Ichikawa Danjuro XII and his nine year old son. At the National Theatre (265 7411), the world-famous onnagata, *Tamasaburo Bando,* is one of the players in a mixed programme which includes two dance numbers.
Carmen. Musical (in Japanese) based on the opera, but which follows Merimée's novella more closely than Bizet did. The aim, according to director Mike Ashman of the Royal Opera House, Covent Garden, is to put back "the sex and violence". Stars Mao Daichi who, unlike most Carmens, can dance as well as sing. Aoyama Theatre (591 1711).

OPERA AND BALLET

London

Royal Opera, Covent Garden: A new English-language version of Die Fledermaus by John Mortimer is introduced to the house in John Cox'a (also new) staging, with a first-rate cast (including Carol Vaness, Thomas Allen, Dennis O'Neill, and Lillian Watson) and Adam Fischer as conductor. Handel's sublime Semele returns in the overdressed 1982 John Copley production, with Charles Mackerras as conductor and Yvonne Kenny, Anthony Rolfe Johnson and Kathleen Kuhlmann heading the cast, all in cracking form.
English *National* **Opera,** *Coliseum:* the 1977 production of La Bohème is revived with a cast headed by Rosamund Illing, David Rendall, and Nancy Gustafson. The ENO's new Rimsky-Korsakov rarity, Christmas Eve, produced by David Pountney (in his own translation), is a mixture that doesn't quite work, though there are certainly enough ingredients for a spectacular family show to provide some entertainment. Albert Rosen conducts, and the cast includes Cathryn Pope, Edmund Barham, Anne-Marie Owens, John Connell, and Nigel Douglas.

Paris

Chatelet. Monteverdi's L'incoronazione di Poppea with the Scottish Chamber Orchestra is conducted by Peter Schneider in a new production by Pierre Stross in costumes with distinctly Germanic overtones (40282828).
Théâtre de la Ville. Angelin Preljocaj is followed by Jean-Claude Galotta and the Groupe Emile Dubois bringing with them Mammame Montreal, the great success of the Montreal Festival (42742277).

Brussels

Théâtre Royal de la Monnaie. A new production of Wozzeck by Alban Berg designed by Hans Neusebaner and conducted by Sylvain Cambreling. Jose Van Dam is in the Starring role. Cast includes Walter Raffeiner, Ricardo Caninelli, Alexander Malta, Reinbard Dorn, Anja Silja and Christiane le Maitre. (Tues, Thurs).

Vienna

Staatsoper. Ballet: La Fille mal Gardée, conducted by Sasson, with Robert Kerns. Otello, conducted by Garcia Navarro. Cast includes Gabriele Benackova-Cap, Wladimir Atlantow, Richard Burke. La Traviata sung by Waltraud Winsauer, Richard Burke, Giuseppe Taddei. Salome, conducted by Hans Wallat, with Hildegard Behrens, Helga Dernesch, Anthony Raffell (51444 ext. 2660).
Volksoper. Hänsel und Gretel, conducted by Diefried Bernet. Das Land des Lächelns, conducted by Rudolf Bibl. Die Fledermaus, conducted by Rudolf Bibl. Kiss me Kate, conducted by Herbert Mogg. Der Freischütz, conducted by Konrad Leitner. Gasparone, conducted by Rudolf Bibl (51444 ext 2662).

Amsterdam

Muziektheater. Philip Glass's opera The Making of the Representative from Planet 8, from the novel by Doris Lessing, in a Muziektheater co-production with the Houston Grand Opera, the English National Opera and the Buhnen der Landeshauptstadt Kiel. The Netherlands Philharmonic and the Choir of the Netherlands Opera are conducted by Bruce Ferden, with soloists Andrew Shore, Richard Angas, Lesley Garrett and Christopher Gillett (premiere Sun, Wed) (255 455).
The National Ballet on tour with Peter Wright's production of Giselle. Fri in Utrecht, Schouwburg (31 02 41), Mon and Tue in The Hague, Danstheater (60 49 30), Thur in Rotterdam, Schouwburg (411 81 10).

Berlin

Opera. Simon Boccanegra conducted by Guiseppe Sinopoli returns with a new cast led by Catharine Malfitano, Juan Pons, Simon Estes and Warren Mok. Der Troubador, sung in Italian, is a Herbert von Karajan production. Lady Macbeth von Mzensk features Karan Armstrong, Kathryn Montgomery-Meissner, Dimiter Petkov and William Pell. The fine new Götz Friedrich production of La Bohème has fine interpretations by Kallen Esperian (Mimi), Antonio Ordonez (Rodolfo), Gwendolyn Bradley (Musetta) and Andreas Schmidt (Marcello). The Ballet Notre Dame de Paris jointly choreographed by Maurice Jarre/Roland Petit rounds off the week.

Hamburg

Opera. Der Nussknacker has wonderful John Neumeier choreography. Peter Palitzsch's self-willed new production of Fidelio in which Florestan is crucified adds nothing to the original. Turandot stars Olivia Stapp in the title role, Yoko Kawahara-Stobinski (Liu), Lando Bartolini (Kalaf) and Karl Schultz (Timur).

Cologne

Opera. There was much applause for the new Harry Kupfer production of Lady Macbeth von Mzonsk, when it opened with Marilyn Schmiege, Aage Haugland, Guenter Neumann and Jean van Ree.

Bonn

Oper. Der Nussknacker has fine choreography by Youri Vamos. The long awaited new Fledermaus provoked heavy protests against the ultra modern Bernard Broka production. Luckily the singing by Ludwig Baumann, Hanna Schwarz, Georg Tichy and Julia Conwell redeemed the production. Grace Bumbry repeats her much praised performance in the title role in Tosca

Frankfurt

Oper. Rolf Liebermann's opera Der Wald will have its premier this week, produced by Adolf Dresen. The main parts are sung by Renate Behle, Sonia Theodoridou, Hellen Kwon, Elsie Maurer, Tom Krause, Willy Mueller and Bodo Schwanbek. Also Behind the China Dogs, jointly choreographed by Amanda Miller and William Forsythe.

Stuttgart

Oper. Die Entführung aus Dem Serail is sung by Yoko Nakamura, Marianne Hirsti, Charles Brauer, Uwe Heilmann, Heinz Goehrig and Helmut Berger-tuna together. Der Karottenkönig is a well done repertoire performance. Fidelio features Lisbeth Balslev, Ulrike Sonntag, and Roland Bracht. Madame Butterfly has a strong cast with Awilda Verdejo, Helene Schneiderman, Helmut Holzapfel, Karl-Heinz Eichler and Mark Munkittrick.

New York

Metropolitan Opera House, Lincoln Center. Le Nozze di Figaro is conducted by Mark Elder in his premiere season, with Kiri Te Kanawa as Rosina and Thomas Hampson as Almaviva. Aprile Millo sings Aida, with Vladimir Popov replacing Placido Domingo as Ramades and Alain Fondary as Amonasro, conducted by Christian Badea. In the final performances of Hansel and Gretel conducted by Christof Perick, Frederica von Stade sings Hansel and Judith Blegen, Gretel (362 6000).

Washington

Washington Opera, Eisenhower Theater, *Kennedy Center.* The first of seven performances of a double bill of Weber's Abu Hassan and Mozart's The Impresario revives works set at a local theatre in 1880, which was first produced 10 years ago. Evelyn de la Rosa and Sally Wolf are battling rivals for top billing in Weber's intepretation of the Arabian Nights. Theodore Baerg continues as Figaro and Ruth Ann Swenson as Rosina in The Barber of Seville, as directed by Leon Major and conducted by Joseph Rescigno (254 3776).

EXHIBITIONS

London

The National Gallery. *Rembrandt: Art in the Making.* A small but highly informative study exhibition, prepared by the Gallery's technical department and centred on the major works by him in the collection, treating on *Rembrandt's* working methods and materials. Ends Jan 17.
The Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. It concentrates on the painting rather than graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his career, nearly 30 years ago. Ends Jan 8.
The Whitechapel Art Gallery. A major exhibition of the sculpture made in the past two years by Richard Deacon, the young winner of the Turner Prize in 1987. Also an installation by the painter, Kate Whiteford (daily except Mondays until Jan 22).

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's masterly work and can be compared with 54 drawings executed by his pupils. The other exhibition consists of 29 canvases by Rembrandtesque artists and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's own paintings. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuileries, opposite Pontroyal (42 60 39 26).
Centre Georges Pompidou. Tinguely's tinkering genius sets his machines swirling and whirring in a riot of colours, yet the mood of the 100 exhibits moves from the exuberance of invention to metaphysical preoccupations in his recent works. Closed Tue, Ends March 27 (42 77 12 33).
Le Louvre des Antiquaires. A show of wallpaper from 1720 to 1930. The exhibition displays 300 samples of this minor decorative art and shows how its development followed, and underlined, the changes of fashion. There are 18th Century handpainted *papiers chinois, there is an* ensemble of panels of Reveillon's Royal Manufacture followed by revolutionary symbols. Choice pieces of furniture help to recreate the atmosphere of a given period. A trompe-l'oeil wallpaper of a white drapery sets off Restoration furniture while an exuberant flower-motif provides a perfect background to a Napoleon III tea-party. 2 Place du Palais Royal (42 97 27 10), Closed Mon, ends April 2.
Galerie Odermatt-Cazeau. *Camille Claudel 1864-1943. The sculp*tor, a disciple and lover of Rodin, whose tragic life, ending with 30 years in a mental asylum, inspired a book and now a film, is the subject of an important exhibition. *There are 14 of her* works, mostly bronzes, with a towering Perseus and Gorgon in marble. The exhibition is completed by seven bronzes by Rodin, including two portraits of Camille herself, young and beautiful, adding the last touch of pathos. 85 Bis, Rue du Fbg. Saint-Honore (42669258). Closed Sundays. Ends Jan 31.
Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses mediaeval works of art — goldsmiths' work, carved altarpieces, ivories, fabrics, with two English royal standards embroidered in gold on red velvet. In a rotunda of its own is a set of the Lady and the Unicorn mille fleurs tapestries — an allegory of the five senses, one of the masterpieces of mediaeval art. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes.

Brussels

Musées Royaux d'Art et d'Histoire, Parc Cinquantenaire. China, Heaven and Earth, 5,000 years of *Invention and Discovery.* Instruments and artworks largely from collections in Belgium, China and Britain which illustrate Chinese innovations in science and technology. Ends *Jan 16. Closed Monday.*
Musée d'Art Ancien. From Manet to Picasso: The Reader's Digest Collection. Impressionist and Post-Impressionist works from the corporate headquarters in Pleasantville, New York. Closed Monday. Ends Jan 22.
Musee Bellevue. Les Flacons de la Seduction. The art of perfumery in the 18th century. 7 Place des Palais. Ends Feb 19.
CGER. The Fifties in Brussels, a nostalgic look at 50s Kitsch. Open daily. 12 Rue des Boiteux. Ends Jan 15.

Arnhem

Gemeentemuseum
The World of Stonehenge presents a survey of European megalithic monuments and their builders with a combination of models, archaeological displays and audio-visuals. Ends Jan 15.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

The Hague

Mauritshuis. These 36 "Paintings from England" lay at the heart of a diplomatic wrangle after the death of "Dutch" King William in 1702, when Queen Anne peremptorily demanded their return from William's Dutch hunting lodge as being the property of the English crown. Of mixed quality, but including three superb Holbeins and Gerard Dou's serenely domestic Young Mother. Ends Jan 26.

Antwerp

Koninklijk Museum Voor Schone Kunsten. Leopold de Waelplein. Golden Light: Art of the Icon. Contains 185 icons dating between the 13th-17th Centuries. Many of the Byzantine, Cretan and russian icons are on public view for the first time and are lent mainly from private collections. Closed Mon. Ends Feb 5.
Rubenshuis 9-11 Wapper. Antwerp silver from the 16th, 17th and 18th Centuries. Open daily. Ends Jan 15. (03 232 47 47)

Berlin

Brucke Museum. Emil Nolde (1857-1956). The exhibition concentrates on Nolde's most creative period in Berlin between 1910-1911. There are about 125 pictures, aquarelles, lithographs and etchings. Bussardsteig 9. Ends Feb 5.

Stuttgart

Stuttgart Museum. The most important pictures of the famous Thyssen-Bornemisza collection covering the period between 14th-18th century as well as works by Holbein the youngest, Frans Hals, Peter Paul Rubens and Albrecht Durer. Until March.

Darmstadt

Hessisches Landesmuseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germany. He made his name with his lead glass windows, for the new synagogue in Darmstadt. With the blue and red coloured windows he symbolises the suffering and hopes of the Jews. Ends Jan 29.

Braunschweig

Braunschweig, Herzog Anton Ulrich-Museum. European Baroque Painting. As a gesture of reconciliation, 65 17th and 18th Century paintings from the Warsaw National Museum are to be exhibited in Braunschweig, 50 years after the German invasion of Poland. In 1939 Warsaw capitulated before the German troops and the newly finished *National Museum was occupied* and all the pictures transferred to Germany. Fortunately nearly all of them were subsequently returned to the Museum. This exhibition concentrates on the Dutch painters Gerard ter Vorch, Hendrick ter Brugghen, Jan Stee, Salomon van Ruysdael as well as painters current with Rembrandt, with a group of Carvaggio followers and the German and Austrian 18th century painters with works by Januarius Zick, Franz Anton Maulbertsch and Anton Graff. This exhibition can be seen until Jan 29, and tours afterwards to Utrecht, Cologne and Munich.

Vienna

Kunsthistoriches Museum. Prague 1600 — A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but also the sciences. He kept Johannes Kepler, the astronomer from near starvation, and made Prague a centre of learning and culture. Ends Feb 26.
Oesterreichisches Museum fur Angewandte Kunst. Works by the Austrian artist Peter Weibel are on show until Jan 30.
Museum der 20 Jahrhunderts. Klassische Moderne — a collection of the Museum's contemporary art. Ends March 7 1989.
Albertina. Four Austrian artists who emigrated to New York before the Second World War have now returned, at least in spirit, with their work. Ends Jan 29, 1989.
Historisches Museum der Stadt Wien (The city of Vienna's Museum for history). A commemoration of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominous past. Ends Jan 29.
Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Rome

Palazzo dei Conservatori (Campidoglio). Glass of the Caesars. Queues are stretching right across Michelangelo's Piazza, waiting patiently for a glimpse of the immensely sophisticated ornamental glass and tableware belonging to the imperial Roman court. Sponsored by Olivetti

Continued on Page 9

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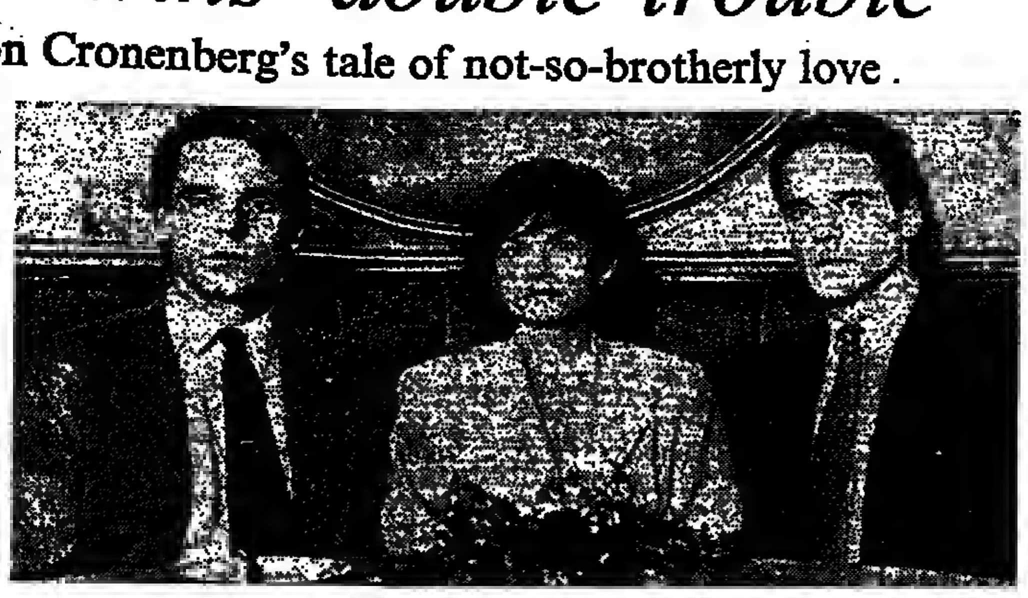
FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Twisted twins' double trouble

Nigel Andrews on Cronenberg's tale of not-so-brotherly love.



Jeremy Irons, Beverly Mantle and (by trick photography), Jeremy Irons yet again in Cronenberg's *Dead Ringers*

David Cronenberg's *Dead Ringers* is a tale of identical twin gynaecologists, who pass from a distinguished life to a gory death via schizophrenia, sexual perversion and surgical malpractice.

All in a day's work, you might think, for the Canadian director of *Scanners*, *Videodrome* and *The Fly*. *Dead Ringers* is lurid, louche and guaranteed to offend somebody everywhere. American feminists have already gunned for the film. They are angered over its tale of used and abused female bodies, and also over its "biology is destiny" subtext. That message, though here applied to pre-determined behaviour patterns in twins, is long familiar to them from the "women's place is in the maternity ward" lobby.

Much huffing and puffing has taken place about a movie that, in the end, delivers rather less than it promises. Jeremy Irons is deliciously seedy as the twins. Doubling up as weak and pliant Bev (who does the donkey work in the surgeries) and smooth-talking Elliott (who does the PR and flirts with the patients), Irons plays to the hilt. He even, thanks to miracle trick photography, plays with himself (so to speak) in the same shot.

Plot tensions are catalysed when the duo's pass-the-girlfriend love life meets its match in patient Genevieve Bujold.

DEAD RINGERS (18)
Odeon, Leicester Square.

WAR REQUIEM (PG)
Cannon Shaftesbury Ave

THE LONELY PASSION OF JUDITH HEARNE (15)
Metro, Minema and Screen on the Hill

THE DRESSMAKER (15)
Odeon Haymarket

YOUNG GUNS (18)
Cannons Haymarket and Oxford St

SOUVENIR
Cannons Haymarket and Tottenham Ct Rd

She likes to be tied to the bed with surgical rubber during intercourse. Indeed, she is one step ahead of every wicked thought. Quickly seeing through the twins' "cervix with a smile" bedside manner, she has soon joined them – nay, is leading them – on the downhill slopes of drug abuse and sado-masochism. How the ensuing tale involves antique surgical instruments, ceremonial red robes, triple cervixes and slow death I shall leave you to discover.

The movie derives, via a novel, from a true case: that of twin gynaecologists found dead in their New York flat in 1975. "Mysterious circumstances," including signs of drug withdrawal, abounded.

So they do in Cronenberg's film, though they never quite gell into a mystery with a purpose. Shorn of the director's usual heave-ho special effects – parasites erupting from stomachs, ears dropping off and the like – the film is imagistically reticent, even dull. And a fascinating subtext about identity and self-determination – each character seems caught in a master-slave or model-clone relationship to each other – never pushes through the unambitious, teleplay visuals. We are left relishing Irons's performance and some spooky hi-jinks in the operating room: plus the odd gem of dialogue (bed-tethered Bujold at sexual climax, "Ah doctor, you've cured me") which reminds us that Cronenberg is at his best when flirting with the worst.

* * *

The British cinema's new year resolution, to judge by its first three films for 1989, is to cling to the apron-strings of its non-cinematic culture. Derek Jarman's *War Requiem* sets images to Britten's oratorio commemorating World War 1, while *The Lonely Passion Of Judith Hearne* and *The Dressmaker* both plod genteelly through adaptations of novels.

Jarman's film is honourable and well-crafted and never once convinced me that its director is moved or excited by Britten's music. Quantities of hand-me-down religious imagery are packed into the void in the movie's sensibility: crowns of thorns, sacrificial altars, slaughtered sheep. Tilda Swinton, who as a symbol of martyred womanhood (see *Caravaggio* and *The Last Of England*) is becoming as ubiquitous and wearisome as her male counterpart John Hurt, emits silent primal screams and wheels a bewildered-looking Lord Olivier around for a few early seconds.

At best, *War Requiem* resembles a cross between *Oh What A Lovely War* and a BBC Arena special on Wilfrid Owen. At worst, it comes on like *Aria 2*: another bid by producer Don Boyd to persuade us that what British cinema needs is a new tradition of using film as pictorial accompaniment to famous music. (Oh no it doesn't.)

Brian Moore's subtly scarifying novel about the breakdown of a whisky-bibbing spinster with romantic delusions, *The Lonely Passion Of Judith Hearne*, has been turned into that deadly thing: a "tour de force" for a famous actress. Maggie Smith, wrists flapping, voice adenoid-ing, bird-face yawing, goes at the role with what can only be called "lonely passion." Her virtuosity relates to absolutely nothing around her. The story's setting, 1950s Belfast, could be as easily be 1980s Shaftesbury Avenue. And the heroine's last-chance crush on her landlady's no-good brother seems directed less at Bob Hoskins, who plays him, than at some invisible gallery of eggers-on.

This is acting by signpost and may well, as such, win her a British Academy Award. (The British love to see its troupers trouping away). Director Jack Clayton, who memorably introduced the British to postwar sexual passion in *Room At The Top*, keeps up with his leading lady as best he can. But the wiser course might have been to overtake her and stop her. That way, the film could have re-thought its style and re-adjusted the balance between author Moore's mordant realism and actress Smith's histrionics.

Maggie Smith in *The Lonely Passion Of Judith Hearne*

The Dressmaker, directed by Jim (*Jewel In The Crown*) O'Brien from a Beryl Bainbridge novel, has more cream of British acting. This time it is Lady Olivier, majestically disdaining a Liverpool accent as one of two aunts bringing up a young girl in wartime Merseyside. The other aunt is Billie Whitelaw (with accent). She is randier than Lady O and believes that the girl should let it all hang out vis-a-vis her budding romance with a GI.

Certainly it would be refreshing to see something hanging out in Jane Horrocks's occluded, one-note performance as the heroine. Drably shot and stagily staged, the lugubrious tale rambles on sans pith or moment for 90 minutes, under-sexed, under-directed and underwhelming.

* * *

By contrast, *Young Guns* is over the top in almost every department. In America's Old West, rancher Terence Stamp trains a private army of teenage gunmen who declare a private war when Stamp is gunned down by evil Jack Palance. Led by a trigger-happy Billy the Kid (Emilio Estevez), the band tear around the Western states firing on all barrels and making human beings resemble colanders.

John Fusco's script and Christopher (*Saigon*) Cain's direction treat this story, patch-quilted from fact and fiction, as a romping ground for black comedy and hair-trigger violence. The Brat Pack cast (Estevez, Kiefer Sutherland, Charlie Sheen, Lou Diamond Phillips) excel in showing that panic and bravery can be near-identical twins. The dialogue has the cuckoo logic of real life *in extremis*. (A lawyer friend besieged with the gang in his own home says he cannot join in the gun battle because it would invalidate his life insurance). And Dean Semler's burlap-and-sepia photography suggests a West in which old photographs and old legends are coming impolitely to life before our very eyes.

The film is no respecter of the elegiac unities of a John Ford Western. One scene has the gang getting high on peyote: the landscape wheeling around them, their voices sounding like wound-down 78s. And as accents clash – English, Irish, German – Cain and Fusco make clear thet this is a melting-pot America where the ingredients for the "God's country" recipe are not yet rendered down and are still hissing and spitting at the chef.

You yourselves may feel free to hiss and spit at *Souvenir*. Producer Geoffrey Reeves has turned director to make a right old hash of David Hughes's award-winning novel *The Pork Butcher*. Christopher Plummer hams it up as the old Nazi revisiting scenes of guilt in once-occupied France, Catherine Hicks and Christopher Cazenove wrestle with the yards of "Oh God, you don't mean . . ." dialogue, and camerawork is strictly in the plonk-plonk tradition.

From next week, Nigel Andrews' film column will appear in Thursday's edition of the FT

Black Art

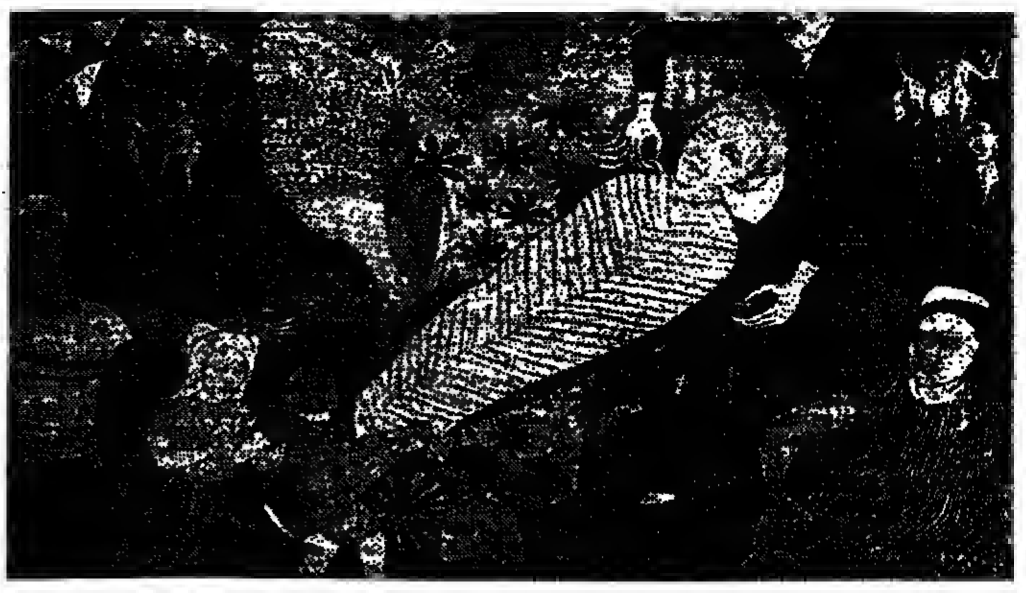
Seething away in British cultural life is the issue of Black Art. Like Feminist artists before (and alongside) them, black artists feel the need to establish a contemporary history and critical base, to make significant exhibitions and show "model" icons of validation. *Black Art: Plotting the Course*, which opened at Oldham and is now at Wolverhampton, comes out of these impulses, but curator Eddie Chambers also takes a fresh look at less familiar artists and has come up with a most stimulating exhibition.

The second plank to Chamber's programme is to offer a critique of Rasheed Araeen's *Essential Black Art* exhibition of yesterday. Black Art has already hardened into the familiar pattern of a hierarchy of "established" artists (and their apologists) and "the rest." It is always refreshing to see a curator bold enough to examine "the rest," even though artists' statements and images are relegated as footnote to Chamber's catalogue essay.

What is more problematic is the catch-all nature of the notion of "black," which Chambers uses in preference to Araeen's original (but now forsaken) term "Afro-Asian." Chambers defines Black Art as an art which is "not simply . . . protest art," which "educates and informs the viewer," which is "often in direct confrontation with purely aesthetic art," nevertheless it establishes itself by reference to an "African cultural heritage."

Ha does not satisfactorily explain how artists of different backgrounds can be embraced within the aegis of "blackness." In a multi-cultural society, where each artist has the right to plot a personal relationship to inherited cultures, black could be as much an imperialist blanket as white.

The protest element is strong in this exhibition, often leavened with humour. Mark Sealy's "Career Prospects," for example, shows a new broom and shovel, partly enshrined in a glass exhibition case. There is a confident body of large-scale works, dominated by Amanda Holiday's "The Hum of History, Part 1." Being wheeled to centre-stage of this work is a dead and embalmed Mrs Thatcher, with a tiny gun, flag and noose dangling from her bier. An exotically dressed winged figure stands behind the figure, and a black nurse waits serenely on the corner of the picture frame. A boy lifts the dress of a small white girl to reveal her knickers embellished with sterling signs, while a ferocious wind blows from the east and fighter planes buzz like mosquitoes. It is an allegory without a clearly legible narrative, and none the less potent for being drawn in chalk and pastel on paper.



Amanda Holiday's "The Hum of History, Part 1"

Drawing is important in this exhibition, as in most Black Art. Whether this tendency has to do with economic necessity or is a deliberate re-appropriation of undervalued media, is something to speculate about. There has always been a close and obvious connection between protest-art and the graphic media (Carol Hughes' linocuts employ the bold figuration of international political rhetoric) but it seems to me that drawing is also a searching means, closer to writing and the exploration of ideas.

Lesley Sanderson's "Accessories" is an extraordinary series of three related drawings. The head in the top frame wears a baboon's nose mask, making it both threatening and vulnerable. In the middle frame, a trousered figure leans against a draped arm in the pose of a Roman emperor. And in the horizontal lower frame, the other foot is kicking off the boot. The strict academic drawing underpins the confrontational aspect of this work: in Sanderson's work dealing with sexual and racial stereotyping, the subject always gazes straight at the viewer.

The relationship of drawing to elaboration of narrative is explored in Tony Phillips' "The History of the Benin Bronzes" which charts the seizing of Benin's treasures in a punitive raid and their distribution in British and German museums. The Benin bronzes are pastelled in a careful academic style while the white aggressors are depicted as crude caricatures.

John Lyons reclaims Picasso's "Demoiselles d'Avignon" for Africa in "Study for African Experience," and Georgia Belfont replaces the black servant in Manet's "Olympia" with a portrait of self and family in a misty and rather moving small painting. Generally, however, the exhibition is refreshing in that it eschews a heavy-handed preoccupation with modes of representation and theory.

● *The exhibition is at Wolverhampton Art Gallery (to January 31) and Bluecoat Gallery, Liverpool (February 25 to April 1.)*

Deanna Petherbridge

Le Misanthrope

YOUNG VIC STUDIO

It is rare to find a production of a foreign classic in which the translation itself is the star, but Neil Bartlett's essay at Molière is so adept in its parts and so atrociously right in the whole that I found myself leaning forward in my seat lest a rhyme, or worse a phrase, should go astray as a result of carelessness on an actor's part or inattention on my own. The key to its success is the central conception, which spins the play, Tardis-like, from 17th century France to 20th century England, where bored critics and pretentious poetasters party the night away, their unctuous flatteries and bored bitchery overshadowed by a dim awareness of The Editor and the various libel suits that hang perilously over their heads.

William Elliott's Alceste is a bearded Scot with an avenging zeal that has him fulminating into his black polo-neck; Robin Brooks' Oronte, his sonneteering rival in love, blusters about the stage in tortoiseshell specs and flapping trouser legs like a too-U-to-be-true parody of pop's Proclaimers. His poetical gem, beginning "My love is like a Northern line station. I get stuck on it," is read from the back of a Sobranie cigarette packet with an ardour of which McGonagall himself would be proud, and is countered – so aptly – with a blast of Jacques Brel from a state-of-the-art tape deck. Here, says Alceste, is a man who knew about suffering. It is the same Alceste who, minutes earlier, has declaimed dramatically to his friend Philinte, "It's my party and I'll cry if I want to," prompting the affectionate admonition "this existential angst is a bit OTT".

So, indeed, it is. What Bartlett's adaptation and Jonathan Holloway's production do so brilliantly is to bring the manifestations of pretentiousness and posturing bang up to date in a society that is as bewitched by Alceste's rude provincial temper as it is by the urban coquetry of the sleek Célimène (Fiona McAlpine). The misanthropist, for all his angst, is never allowed to take himself too seriously. A reference to the plays of Simon Gray – one of several mischievous detours from Molière – gestures at a tradition of surly donnishness in contemporary comedy to which this Alceste undoubtedly belongs, alexandrines and all.

Red Shift, the touring company whose work this is, embrace the play with a vigour and wit that matches that of Bartlett's couplets. William Elliott is compulsively watchable in the title role, as is Sue Dyde as Arsinoe, a shrewish prude with the self-righteousness of the moral majority. Jeremy Peters' sudden affliction with a stammer as Philinte woos the likeable Eliante (Marcia Rose) is perhaps a little contrived, but who's grumbling.

Claire Armitstead

The Story of Mary O'Neill

RADIO 3

"A radio opera for 17 voices," Nicola LeFanu's *The Story of Mary O'Neill* was commissioned by the BBC, and given its first broadcast on Wednesday evening, with the soprano Sarah Leonard and the BBC Singers conducted by John Poole. The text, by Sally McInerney, tells the story of an Irish woman and her family, forced by the potato famine of tha 1860s to emigrate from Ireland, who settles on a remote *estancia* in Argentina. The leave-taking is portrayed in a relatively brief opening scene; the second describes Mary's encounters with the alien South American world, caught between the colonial society on the one hand, and that of the native Indians on the other. The third scene takes the tale from her death in 1905 to the present, and the struggle of her descendants to come to terms with Argentinian life.

The singers deliver the text unaccompanied; the solo soprano sings the part of Mary, the chorus fills the other roles and supplies an aural matrix – underpinning spoken narratives with syllabic fragments and onomatopoeic phrases. The most striking passages are those in which the vocal lines are left unadorned and the natural shape of the phrase sensitively caught, while the patterning of the background sounds is often imaginatively arranged.

But what appeared to be lacking was a sense of dramatic core for the work, and an explicit reason for its being an opera rather than, say, a dramatic cantata. Though the presentation was immaculate, and the performances beautifully finished, the resources of a radio production were exploited in only a limited way – there was far less technical contrivance than one might have expected in a work expressly conceived for the medium. Doubtless the dilemmas explored in *Mary O'Neill* are important and universal; whether or not they can be construed operatically remains an open question.

Andrew Clements

ARTS GUIDE

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January 6-12

Continued from Page 8
(celebrating its 80th birthday) and co-ordinated by the British Museum, the exhibition has already toured the three major donor museums: the Corning Museum of Glass (New York State), the British Museum and the Romisch-Germanisches Museum in Cologne. It contains masterpieces dating from the 1st century BC to AD500, most of which have been included on the earlier part of the exhibition's itinerary. The Rome version lacks the British Museum's Portland Vase, but contains three particularly interesting additions. One of the loveliest is a deep purple silver handled wine-bucket, engraved with a Dionysian scene (4th century AD, from the treasures of St Mark's, Venice). The show is proof of the extraordinary good taste of the Caesars and their enlightened attitude to the decorative arts. Constantine did his part to encourage glass-makers in AD37 by exonerating them from e special tax levied on all craftsmen. Until Jan 31.

Galleria Nazionale d'arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26

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Venice

Museo Correr a la Napoleonica: Giorgio de Chirico (1888-1978): a major retrospective organised jointly by the Galleria Nazionale d'Arte Moderna in Rome and the Giorgio de Chirico Foundation to celebrate the centenary of the painter's birth. On show are over 150 works from public and private collections, including the Metropolitan and Guggenheim in the USA, and the Pompidou in Paris, by a painter declared dead in the 1920s by Andre Breton, suther of the surrealist manifesto, who disliked his change of style from metaphysical to poetic. Ends Jan 15.

New York

Metropolitan Museum of Art. More than 100 works by south-west American artist Georgia O'Keeffe will cover the range of her career, focusing on her influential abstracts, flower paintings and stark desert landscapes. Half of the works are from the estate of the artist, who died in 1986. Ends Feb 5

New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest historic items are Dead Sea scrolls, the 13th-century Xanten bible from Germany and the Nahum Commentary. Ends Jan 14.

National Gallery. Phillips Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Eakins and Cezanne, among others, is part of an unprecedented 136-work, two part show, the other half of which, depicting landscapes of five centuries, is at the Washington National Gallery. Ends Jan 22.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner and Lear to the pre-Raphaelites. Ends March.

Washington

National Gallery. Seven Centuries of Japanese Art, as it evolved under the feudal *daimyo* lords is the subject of a major exhibition of 450 specially designated Japanese national treasures, including paintings, sculpture, swords, painted scrolls, ceramics, robes and lacquer. Ends Jan 23.

Tokyo

Suntory Museum. Fabrics from Okinawa. Japan's southernmost island chain preserved until recently its own unique culture, influenced more by China than Japan. This exhibition features beautiful dyed textiles made by a technique called 'bingata' (red stencil dyeing), as well as woven fabrics in indigo and other dyes. There is also a small selection of Okinawan lacquerware. Closed Mondays.

Idemitsu Museum. Ukiyoe Paintings. Ukiyoe is usually associated with the woodblock print, but this delightful exhibition focuses on scroll paintings by some of the masters of the "floating world" – mainly genre scenes and portraits of beautiful women in colourful kimonos. It is drawn from the museum's own collection, as is the permanent display of Japanese and Chinese ceramics. Refreshments are available and there is a fine view of the imperial palace moat. Closed Mondays.

Teien Museum. Paintings by Leonard Fujita (1886-1968), one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career.

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Nishimura Gallery, Ginza. Katsura Funakoshi. Recent sculptures by one of the Japanese artists who exhibited at this year's Venice Biennale and who works in wood in what is essentially a realist tradition. Closed Sundays.

Striped House Museum. Exhibition of paintings by Kiyoshi Koizumi, third son of the late 19th century writer, Lafcadio Hearn, who became a naturalised Japanese citizen. Koizumi's life and work were inevitably torn between eastern and western influences, although his best paintings were influenced mainly by Fauvism.

The Snow Queen

ROYAL LYCEUM, EDINBURGH

The choice of one of Hans Andersen's more hauntingly poetic tales in preference to conventional pantomime fodder, and the presence of Savourna Stevenson as composer and co-musical director lead to high hopes of something different from the usual commercial panto at Edinburgh's enchanting Lyceum. Ms Stevenson, harpist daughter of the composer Ronald (a relative newcomer to the Scottish National Portrait Gallery, I note), was responsible for the feyly evocative score that added so much to last season's revival of Barrie's *Mary Rose*. Andersen's original is reverberant with bittersweet awareness of the transitory nature of things, the elusiveness of happiness. Something delicate, exquisite, could be expected.

Not in Auld Reekie over Christmas. Stuart Paterson's adaptation was originally gauged to heartier sensibilities (Glasgow, a couple of years ago). Despite the fairy-tale framework there is little that is ethereal in Hugh Hodgart's production. This emphasises recognisable panto elements and the result is a robust entertainment full of child-participation, hissable villains and lovable animals.

"Give me a child with a heart of ice," commands Victoria Hardcastle's Snow Queen once she has materialised from Gregory Smith's over-ornate and (at curtain-rise) none too clear set. She shanghais the boy Kay in pursuit of her scheme to "make winter last for ever," eventually foiled by the loyal Gerda.

The setting is Russian: Grace Glover as Grandma is an old peasant woman; Kay wears blouse and boots, Gerda long plaits and full, printed skirt. But the accents are local, typified by the two ravens. When Robert Carlyle's Scruff puts the children up to greeting the hapless Peck with the shout of "Shut yer beak!" he little knows what forces he is unleashing. The exhortation was audible throughout the rest of the performance, even directed at the goodies, who were patently disconcerted.

Like the production itself, Ms Stevenson's music is pleasant but more conventional than expected, complete with pop rhythms and percussive rock beat. Ms Hardcastle's villainess is a descendant of the wicked queen in Disney's Snow White and effective as such. Bears, reindeer, ghosts and assorted royals and robbers are cheerfully trotted out by the cast doubling, tripling or quadrupling roles. The audience enjoyed it, apparently not minding that the show falls between two stools.

Martin Hoyle

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Friday January 6 1989

Moscow and human rights

ONLY TWO years ago, the Soviet proposal that an international human rights conference should be held in Moscow in 1991 was greeted with disbelief and derision in the West. The idea that the Soviet Union, in which hundreds of political prisoners were still being held in labour camps and psychiatric hospitals and which refused to issue exit visas to tens of thousands of Jews and other refuseniks, should play host to such a conference was considered to be almost obscene. It is a measure of the progress that has been made in this field by the Soviet Union under Mr Mikhail Gorbachev and the growth in Western governments' confidence in his capacity to honour his promises that the US and Britain have finally given the green light to the Moscow conference.

Though much remains to be done, there can be no doubt that Mr Gorbachev has recently pulled out all the stops to meet the West's demands. Thus, as both the US and British government statements on the subject point out, significant steps have been taken by Moscow since 1986 to release political prisoners, to grant visas to those wishing to emigrate, to facilitate the reunification of divided families, to stop the jamming of Western broadcasts and to permit free speech.

Vienna review

Indeed, after all the doubts that have been expressed since Mr Gorbachev came to power in 1985 about whether he was prepared to put his fine-sounding intentions into practice, it has become obvious that arms control is not the only field in which business can be done with the Soviet leader. A significant example is the draft of the concluding document of the Vienna review meeting of the Conference on Security and Co-operation in Europe (CSCE), which is expected to be adopted by ministers of the 35 participating countries later this month. If last-minute Romanian objections can be overcome. That document goes considerably further than any earlier Helsinki review conference texts in committing the Soviet Union to religious freedom, freedom of movement within states and the right to emigrate.

That said, the progress made by the Soviet Union on human rights was not the only reason which has persuaded the US and Britain to lift their objections to the Moscow conference. All the Western countries are keen to end the Vienna conference to clear the way for new conventional arms reduction talks. Mr George Shultz, the US Secretary of State, is said to be particularly anxious to crown his considerable contribution to improving the East-West climate with a successful conclusion of the Vienna conference before the Reagan Administration bows out. It is also in the West's interests that the growing tension between the US and Britain, on the one hand, and West Germany, which has been much keener than its major partners on meeting Mr Gorbachev half way, should be nipped in the bud.

Guarantees of freedom

These considerations must have weighed heavily in the decision of Mrs Thatcher to modify her stand; she has repeatedly stressed that Britain could not agree to a human rights conference in Moscow until fundamental human rights had been enshrined in Soviet law. However, the Prime Minister is right not to have compromised on basic principles. British participation continues to be conditional on the implementation of promised changes in Soviet criminal legislation, effective guarantees of freedom of speech and freedom to emigrate and genuine judicial independence.

One of the advantages of holding a human rights conference in Moscow is that it will serve as a shop window for all abuses of human rights, not least those in the Soviet Union. If Mr Gorbachev does not want to be condemned by his increasingly vocal domestic opinion, it will be in his own interests to see that the recent progress on human rights to the Soviet Union is not only maintained but speeded up by the time the conference takes place in 1991.

Challenges for Lloyd's

LLOYD'S OF LONDON wanted 1988, its tercentenary, to be a year to remember. It proved to be the most significant in business terms for Lloyd's since the 1960s, symbolised by the Piper Alpha tragedy and $1.4bn of insnrance claims flowing from it.

Outsiders may think Lloyd's emerged from 1988 in better shape than other City institutions, without much publicity about big job losses. Yet Lloyd's and its insurance brokers face similar problems to the rest of the City, including high fixed costs and excessive salaries, at a time when, for instance, marine and aviation insurance is in deep recession.

In 1988 the preoccupation with regulatory reform following the scandals of 1982 gave way to pressing commercial issues which could dominate the Lloyd's agenda well into the 1990s. Lloyd's still appears uncertain about how to tackle them.

The message of Piper Alpha was that Lloyd's has increasingly become a catastropha market, carrying much of the world's risk of major disasters, mainly via reinsurance. If September's Hurricane Gilbert had struck the Houston and Galveston area of Texas the losses at Lloyd's could have been enormous. This role as ultimate risk-bearer cannot indefinitely appeal to members of Lloyd's who have seen its traditional tax advantages eroded. That 1,750 of the market's 33,000 members resigned in 1988 was no coincidence.

Asbestos claims

A related issue is the huge insurance bill arising from another catastrophe, asbestos-related diseases. Perhaps 1,200 damages claims are being filed each month against former US asbestos producers. Decisions by judges there have increased the likelihood that Lloyd's will share the cost of removing asbestos from public buildings in the US.

Coupled with the asbestos problem is litigation from US corporations seeking indemnification for the costs of cleaning up hundreds of toxic waste sites. Lloyd's has scored legal victories, such as a verdict that Shell Oil could not recover the cost of cleaning up the Rocky Mountain Arsenal in Colorado. But some 76 Lloyd's syndicates cannot close their accounts for past years, mainly because of uncertain future US liabilities. The clearest manifestation is the Outhwaite syndicate, number 317, where 1,600 people who belonged to it in 1982 face gross liabilities of £263m.

At the sama time, the US property/casualty insurance market, the largest source of business for Lloyd's, is fighting a price war and is under political attack. Lloyd's itself is facing a federal anti-trust suit against insurers launched by 18 states.

History of resilience

It would be wrong to underestimate the resilience of an institution that has survived 300 years and worse crises, such as Hurricane Betsy in the Gulf of Mexico in 1965. And Lloyd's deserves public praise for its swift payment of Piper Alpha claims.

But the problems of acting as the world's catastrophe insurer are very real. They are appreciated at Lloyd's, and help explain the drive by bigger underwriting agencies and brokers to hasten introduction of information technoiogy. This is vital, if Lloyd's is to cut costs and compete for small or medium-sized insurance business.

Mr Murray Lawrence, chairman of Lloyd's, has spoken about the efforts Lloyd's will make to capture cross-border business in the wake of the 1992 liberalisation of insurance in Europe. Yet rhetoric may be ontstripping reality. The big Swiss insurers or West Germany's Allianz will not yield their markets to Lloyds without a fight. There is also disquiet among younger managers of Lloyd's undsrwriting agents who feel that commercial initiatives get bogged down in the procedures of the market's authorities.

Issnes like these are now being thrashed out within Lloyd's. The danger is that, under a public semblance of unity, Lloyd's will muddle through the early 1990s without a coherent and practical strategy.

David Barchard looks at the strategy behind Lloyds Bank's Classic account

Raising the stakes in the high street

Gerry Solomon of Lloyds Bank: "We hear what the customer says."

Alan Harper

The launch on Wednesday of Lloyds Bank's "Classic" current account, the first full-scale interest-bearing current account to be established by one of the Big Four clearers, is a milestone for British retail banking. It not only highlights the banks' response to increased competition in the high street, but, along with other changes, will affect the economics of retail banking.

Lloyd's announcement of Classic last October drew swift promises from the other three big clearers of their own rivals to it. Midland is launching its comparable account next month. National Westminster's and Barclays' offerings are in the pipeline.

Banks have never claimed to love current accounts. Until the arrival of "free if in credit" banking in 1984, they expected customers to help meet their running costs (usually put at around 7 per cent of the value of current account deposits) by paying transaction charges. Paying interest on current accounts will, moreover, eat into the profits the banks have been making on their UK retail business in the 1980s.

"At least half our UK profitability comes from services to the personal customer," says Mr Seymour Fortescue, head of Barclays Central Retail Services. However, in British retail banking, market share is for the moment more important than profits.

"We are looking at a deregulation situation, which, in its way, has been as dramatic as the Big Bang," says Mr Fortescue. "If this pattern continues, we can expect more competitive price cutting over the next few years, before the market eventually consolidates in the 1990s with fewer (and not necessarily the same) players, and restored profitability, probably based on reduced flexibility to borrowers and increased fees and commissions."

Although Lloyds is the smallest of the four big clearers, it is also the most aggressive in its approach to the retail market. The launch of an interest-bearing current account is just one of several bold initiatives by the bank during 1988. During last year, Lloyds also upset the credit card industry by becoming the first member of both the Visa and MasterCard payment systems and then challenging Barclaycard and Visa for their networks of retail outlets.

In October it announced purchase of a majority stake in Abbey Life, the insurance group, with a view to turning itself into a broadly based financial services conglomerate with its own sales forces.

During the autumn, Lloyds also extended the hours during which its branches offer a full weekday service to 4.30 pm.

'The banks have got to take ground which they lost to the building societies years ago'

"Extending opening hours was a gesture intended to tell the customer that we hear what he says," says Mr Gerry Solomon, general manager of UK retail banking at Lloyds. Longer opening hours however are also intended to claw back customers who might otherwise switch their business to building societies.

"The banks have got to take ground they lost to the building societies years ago," says Mr Solomon. "Our emphasis is very much on staking our claim again in the high street. It is a recognition that the market place is looking for interest on current accounts and that, if we don't provide it, we are going to lose even more market share." He says the retail banking market is competitive chiefly because, at present, it is over-supplied.

Banks and building societies have been invading each other's markets since the early 1980s with banks offering mortgages and improved savings deposits and the building societies adding current account facilities such as standing orders, direct debits, bill paying to deposit accounts and giving customers easy access to their cash through automatic teller machines.

In May 1987, one building society went a stage further. Nationwide Anglia, the third largest, launched FlexAccount, which offered customers a cheque book and interest on their current accounts. So far about 850,000 FlexAccounts have been opened. FlexAccount was not the first building society cheque book current account – three of the top 10 societies offer Bank of Scotland cheqne books to their customers – but it was Nationwide Anglia's own prodnct, even though the cheques were cleared by the Co-operativa Bank.

Next into the market came Abbey National, the second largest society and the only one so far to declare itself in favour of shedding mutual status, and becoming a fully-fledged bank after a stock market flotation. Its cheqne book current account, launched to March 1988, has so far picked up more than 800,000 customers.

It is not only the clearing banks which have been impressed. Nationwide Anglia and Abbey National's success with cheque accounts has forced the other large building societies to alter their strategy. Woolwich, the fourth largest society, plans to launch its cheque book account this spring, though it now looks as if it may have left the move too late to gain significant market share

Halifax, the largest society, had eschewed paper-based money transmission as too expensive. Instead, it built up a customer base of 3.5m Cashcard accounts using electronic transmission through automatic teller machines and a plastic card. But it is now well advanced in planning its own cheque book account.

Launching current accounts has beeu expensive for both Abbey National and Nationwide Anglia. Neither will disclose any details of how much it cost them, but apparently it was not as ruinous as their rivals expected.

Mr Tim Melville-Ross, chief executive of Nationwide Anglia, says that FlexAccount will break even and perhaps make a modest profit after it passes the 1.2m mark. "I can only think that current accounts cost the banks more because they have inherited them rather than set them up along properly cost-efficient, modern lines," he says.

Howaver, 1.7m customers stolen from the banks in little more than 18 months justify the launch cost, even if many of the accounts are still only "secondary" or house-keeping accounts which exist alongside a bank account into which a family's main salary is paid.

The building societies reaped handsome rewards from their purchases of estate agencies, their other highly expensive main excursion into new business. Now cheque book current accounts are yielding swift and impressive returns in terms of new customers.

"Customers are becoming more sophisticated and consequently more volatile. They know that they can shop around if they want to," says Mr Terry Thomas, chief executive of the Co-operative Bank. It receutly upgraded the interest-bearing current account product it has had for some years, as a proclaimed loss leader to win customers with a view to selling them other financial services.

To respond to the building societies, the banks have had to weigh the cost of launching interest-bearing current accounts against what it would mean to them to allow the haemorrhage of current account customers to contiune.

Classic is a new current account on offer to all Lloyds existing current account customers, but they must apply to make the switch. The new account will pay 4.5 per cent annually on balances of up to £500 and 6.5 per cent on balances over that amount and comes with a free £100 overdraft facility.

Mr Mike Fuller, deputy chief executive for retail banking at Midland Bank, believes the costs of paying interest on current accounts are less great than has usually been claimed. "I don't think interest is just a cost," he says. "Other interest paying products have enhanced profitability."

However banks with a large current account deposit base – National Westminster with its £10.8bn for example – will find it more difficult to adjust than Lloyds with its £8.6bn current accounts.

Mr Patrick Frazer, bank analyst at Morgan Grenfell, predicts that the Classic account will cost Lloyds £45m this year and that this will rise to £85m in 1990 and £105m in 1991. He says these costs are about 5 per cent of Lloyd's expected profits of around £1bn next year, but are not sufficiently onerous to cause an actual fall in profits.

For Classic has been carefully designed by Lloyds to minimize its cost to the bank; competitor accounts from the other clearers are expected to follow a similar pattern. Classic customers who find themselves breaching the £100 free overdraft limit, for instance, are likely to be just as common as those who find it impossible to stay in the black with existing accounts. They are likely to pay heavily for the privilege. It is not clear what the penalty will be and Lloyds suggests that it will not be great. Nevertheless, it seems likely that the costs will be heavier than those on conventional accounts.

Customers will have to apply to switch from the old accounts to the new. "The key assumption," says Mr Fortescue, "is the percentage of customers who will switch to the new accounts." Bank analysts put this at around 50 per cent over the first three years and assume that inertia will play a major part in restricting the level. Mr Solomon at Lloyds accepts the figure as "not unreasonable."

"Every penny won't move," he says. "There are a lot of people who won't find a particular attraction in moving to Classic – the higher net worth individual, for example, who, maybe, already has a high interest cheque account."

For this kind of customer, Lloyds already has more than 45 financial centres aiming to supply the more sophisticated financial needs of wealthy customers.

Opening open-plan offices, in which paperwork will be relegated behind the scenes, getting rid of bandit-proof screens, training staff to act as counsellors and sales personnel are some of the changes being made. Where two branches are close together, one may be changed into a business centre.

Current accounts have been expensive for building societies, but not as ruinous as rivals expected

Specialised services like this have been made possible by the rapid growth of technology. "The pace and range of changes in the retail financial services industry stretches the imagination even of most people within it," says Mr Fuller.

His point was amplified in a recent speech by Mr Robin Leigh-Pemberton, the Governor of the Bank of England, who noted that today's retail banking services would have required the entire population to be employed in the industry if the clerical techniques of 25 years ago were still in use.

OBSERVER

Banking at Harrods

■ One of the few havens of peace yesterday amid the bedlam that is Harrods at sale time was the new basement home of Harrods Bank.

In an ambience of polished marble and wrought ironwork, young ladies in smart designer outfits were ministering to the needs of well-heeled looking customers, and foreigners with fistfuls of travellers cheques and currency.

Although Harrods has been offering banking services since 1890, the bank only became fully authorised last year. Even then, it encountered the fierce, if predictable, resistance of Tiny Rowland's Lonrho in its long-running tussle with the Al-Fayeds for control of the Knightsbridge emporium. Lonrho lodged an official objection with the Bank of England, alleging that the Al-Fayeds were unfit to take other people's deposits.

The Bank was evidently unimpressed because the licence came through, and Harrods Bank is now a fully fledged operation with capital of £5m and a balance sheet of £16.5m. Alas, Harrods' famed old banking hall which was once the meeting place for a glittering clientele, has been given over to the headier pursuit of selling perfume.

But Mr Alex Wishart, the bank's manager, seemed pleased with his new surroundings yesterday. "Mohamed Al-Fayed is very keen on it. He wants it to be part of the fabric of Harrods," I was told.

The bank has 5,000 accounts, some dating back to the last century. It offers the usual range of services: loans, mortgages, deposits, credit cards, though with thresholds in keeping with Harrods' image: a minimum balance of £2,000 is needed to qualify for the new interest-bearing current account, and an income of at least £30,000 for the gold credit card and £250 cheque guarantee card.

"You can't really put a label on our customers," says Wishart. "Some are extremely wealthy, some comfortably off. Wa have some titled people too, and some international clients. It's a healthy mixture."

One advantage the customers enjoy is generous opening hours. The bank is open from 9.30 am to 5 pm six days a week with late opening to 6 pm on Wednesdays.

Marginal

■ I have already related here the reasons given by the Bank of England for the Governor's eye-catching 23 per cent salary increase last year (need to maintain parity with private sector, recommended by independent consultants etc, etc).

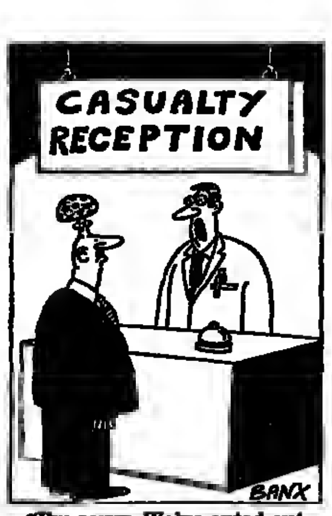
Businessmen seeking equally plausible reasons for raising their prices need look no further than the latest issue of the Bank's in-house magazine, The Old Lady, whose price is going up by 10p. This, says the Bank, "is necessary to maintain the relationship between income and printing costs that is required by the Bank."

Tell thet to Nigel Lawson.

Escargot go

■ Lord Sanderson, the Minister of State at the Scottish Office, has agreed to open a seminar in Edinburgh in a couple of months' time on snail farming. He is always keen, he told the organiser, Roy Groves, to support economic diversification.

Groves is one of the country's leading snail farmers, based at Colwyn Bay in North Wales where he has developed new techniques. Having found that few French snail farmers were able to make a living with traditional methods because snails grow too slowly and get eaten by predators, ha switched to indoor farming using the giant African land snail.



"I'm sorry. We've opted out of what you've got."

This species grows to 15 inches, but he found it reached suitable "Bourguignon" size after four months, and could even be marketed as a small "cocktail snail" within five weeks. Groves now teaches others how to farm snails, and has designed a basic breeding unit which, he claims, can yield its owner a profit of £16,000 a year.

Snail consumption in the UK is leaping ahead. Groves estimates it has risen tenfold in the last two years to about 600 tons a year. But that is way behind France's 57,000 tons, which is why the UK market looks so good. Also, the British have fewer preconceptions than the French as to how snails should be eaten so they consume them in all sorts of inventive ways: potted, pâtéd, and even fried for breakfast.

Groves says there are now 100 snail farms in the UK, about 40 of them using his indoor method.

Partly political

■ For sheer creative dottiness, Europe has nothing to compare with Italy's Radical Party. At their congress this time last year, the Radicals decided to become "transnational" and start living their dream of a united Europe. Having signed on new members from countries like Spain, Hungary, Belgium and Turkey, the next brainwave was to have a transnational congress in Zagreb of all places.

But the Yugoslav authorities have other problems on their hands just now, and could not cope with Mr Marco Pannella and his travelling roadshow. So the gates of Zagreb were closed against him. Undeterred, the Radicals scaled down their meeting to a "federal council" which opened in Trieste at the beginning of the week and transferred to Bohinj in the Slovene mountains on Wednesday.

As guests of the Yugoslav Young Socialists, the 60-strong political caravan settled down yesterday to a lively internal row about how to deal with the party's eternal financial problems. The Radicals' anti-establishment credo forbids them to accept state money, but the costs of transnationalism are persuading some of the leadership of the need to draw from the public well.

Whichever way the problem is resolved, the Radicals must never be allowed to go under. Having been in the forefront of making Italy a land safe for divorce and abortion, Europe needs their dash of political imagination allied to serious purpose.

On target

■ From the staff magazine of a Birmingham company: "More of our winter indoor recreational activities are now under way. The ladies' choir has started rehearsals, and we expect the rifle club to be in action before long."

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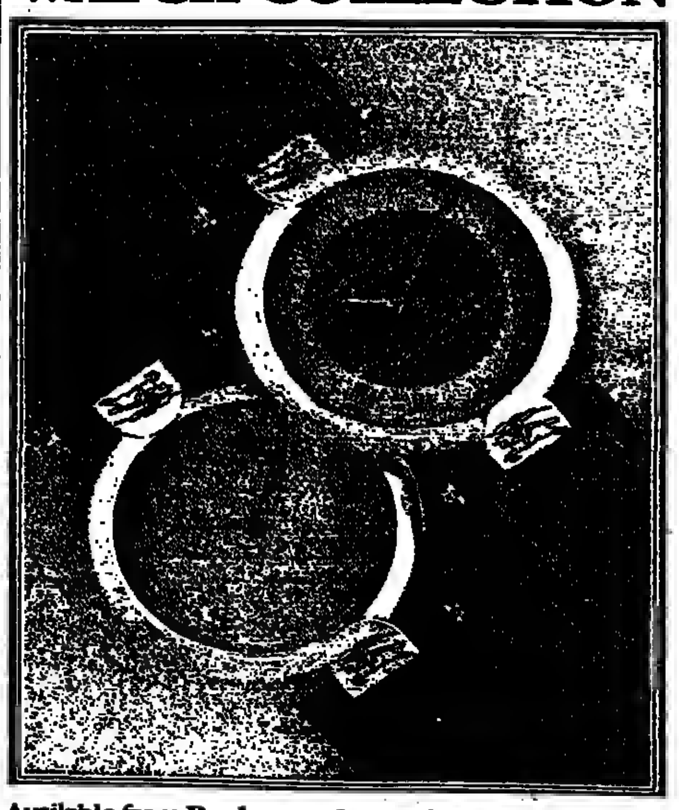

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Brian Hindley examines the EC's method of deciding anti-dumping cases

The design of Fortress Europe

European Community (EC) officials, defending the Commission against complaints about their anti-dumping procedures, make a distinction between protection and protectionism. Protection, they say, is a legitimate defence of European industries against the unfair trade practices of their foreign competitors. Protectionism would be an increase in trade barriers to preserve European industry against fair competition.

The distinction is valid in terms of convention and international law. If EC methods for detecting and measuring unfair trade practices gave even a rough approximation of the true state of affairs, the defence would have some substance. But they do not.

The unfair trade practice that accounts for most activity by the EC is dumping. In the traditional definition, dumping occurs when a good is sold abroad for a lower price than the exporter charges for the same good in his home market. Article VI of the General Agreement on Tariffs and Trade (Gatt) authorises the imposition of anti-dumping duties on dumped exports. The maximum amount of such a duty is the "margin of dumping" – that is, the difference between the price at which the good is sold on the home market of the exporter (often referred to as the "normal value" or "reference price") and the price of the good when exported.

The Commission's method of determining dumping margins requires the collection of massive amounts of data and extensive and detailed computations. In a central class of cases, however, the outcome of these labours measures dumping margins with about the same accuracy as if the Commission started with the telephone number of the accused company and spent two minutes applying an arithmetical procedure to reduce it to a number appropriate for a dumping margin.

The class for which this is true consists of those exporters who market their output through sales companies that are associated through ownership with the manufacturer. Many Japanese and other far-eastern exporters to the EC fall into this class.

The simple numerical example in the chart shows the effects of the Commission's methodology. Since everything is identical in Japan and the Community, on any existing definition, there is no dumping. Nevertheless, the Commission will find a large dumping margin.

The Commission insists on making comparison of prices at the ex-factory level of trade. Starting with the price of the first independent sale in the EC, it will deduct all expenses of the EC sales company to arrive – assuming honest and accurate calculation – at an approximation of the actual ex-factory export price (100 in the example). But when it turns to the price on the Japanese market, it will deduct from the price to independent retailers only "directly related selling expenses": the 20 for sales staff salaries and expenses. Thus, in the hypothetical example shown, it will construct an ex-factory price for sales in Japan of 130 (as against the true ex-factory price of 100) and so discover a dumping margin of 30 per cent.

This calculation is so grossly defective that persons unacquainted with the Commission's practices often refuse to believe that it is what actually happens. "But," they say "the European Court of Justice has examined the Commission's practices and found nothing wrong with them."

What the European Court of Justice has in fact examined is whether the Commission is correctly applying the relevant regulations of the Council of Ministers. For all of the relevant cases that have come before the Court, these are contained in Council Regulation (EEC) No. 2176/84 (known as the Basic Regulation). The European Court of Justice has ruled that the Commission has correctly followed the Basic Regulation. But even if it is following the Basic Regulation, the outcome remains absurd.

The legal key to this ostensible paradox lies in Article 2 (10) of the Basic Regulation. This Article directs that, in comparing the export price and the reference price, "allowances shall be limited, in general, to those differences which bear a direct relationship to the sales under consideration . . . for example, differences in duties and indirect taxation, credit terms, guarantees, warranties, technical assistance, servicing, commissions or salaries paid to salesmen, packing, transport . . . *and, in so far as no account has been taken of them otherwise, differences in the level of trade; allowances generally will not be made for differences in overheads and general expenses, including research and development costs, or advertising*" (my italics).

Using these sections of Article 2 (10) as its authority, the Commission refuses to make deductions for overheads and general expenses, including research and development costs, or advertising, when calculating the ex-factory price in Japan from the price of the first independent sale in Japan. This is its authority for deducting from that price only directly related selling expenses.

Yet Article 2 (10) applies only when there are differences in the level of trade, and the Commission starts with a situation in which the prices in its possession are at the same level of trade. These are the prices when the good is first sold on by the associated sales company.

Article 9 of the Basic Regulation, however, requires (in stronger terms than the Gatt) that the comparison of prices should be at the ex-factory level of trade. And the Commission has good legal authority both from Articles 2 (7) and 2 (8) (b) of the Basic Regulation, and from the Gatt, for rejecting as the basis for its calculations sales which are not at arms-length, such as those from the factory to the associated sales company. It is entitled to go instead to the price of the first sale to an independent buyer.

But this is not an ex-factory price. Some costs must be deducted from it to obtain an ex-factory price. Article 2 (8) (b) of the Basic Regulation directs that in constructing the ex-factory export price, allowance must be made for "*all costs* incurred between importation and resale" in calculating the export price (my italics). Thus the Commission deducts all the costs of the export sales company.

Adjustment of the export price to the ex-factory level, however, puts the (adjusted) export price at a different level of trade from the (unadjusted) home-market reference price. The difference, of course, is a consequence of the Commission's own action in constructing an ex-factory export price for the Community. Nevertheless, it is this difference that allows the Commission to invoke Article 2 (10).

The Commission starts with a situation in which it has prices at the same level of sales and that consequently are in principle comparable – save for the requirement of the Basic Regulation. It relies on Article 2 (8) (b) of the Basic Regulation to obtain an ex-factory export price. But that allows the Commission to move from a situation in which the prices before it are at the same level of trade to one in which they are not – and in which it can invoke Article 2 (10), limiting the adjustment for different levels of trade.

This is the set of steps that the European Court of Justice has judged to be consistent with the Basic Regulation. The Court of Justice insists that the Basic Regulation must be construed as three separate and independent steps:

- Calculate normal value
- Calculate ex-factory export price
- Compare these under the rules of Article 2 (10).

Moreover, the European Court of Justice holds that since these are independent operations, the way in which one of them is performed has no bearing on the way in which another should be performed. In this quite limited sense, the Court of Justice has found the Commissioo's methodology to be satisfactory.

Whatever their legal merits, the EC tactics are from a broader standpoint mere sleight of hand. The Council of Ministers might direct that when the Commission adds two and two together, it should in particular circumstances get five. The Commission might follow that instruction. The European Court of Justice might conclude that the Commission has properly carried out the Council's regulation. Even so, two plus two is four.

The Commission's methodology provides the foundations for a major section of the Asian-facing ramparts of Fortress Europe. Moreover, Fortress Europe is designed so that only its Asian-facing ramparts will contain cannon. Much of the outcry about Fortress Europe has, it is true, come from the US. Perhaps this is because discussion of Fortress Europe is a welcome diversion from the US Trade Act of 1988, which sets the scene for a major extension of US protectionism in the name of fair trade. Whatever the reason, it has distracted attention from the emerging architecture of Fortress Europe.

The architects want only low walls facing across the Atlantic. They want to pursue some policies that offend the US: for example, to maintain the Common Agricultural Policy in essentially its present form; to subsidise Airbus; and to impose regulations on the sale of meat in the EC. These policies, however, have primarily domestic purposes. Whatever their effects on US interests, they contain no hostile intent towards the US.

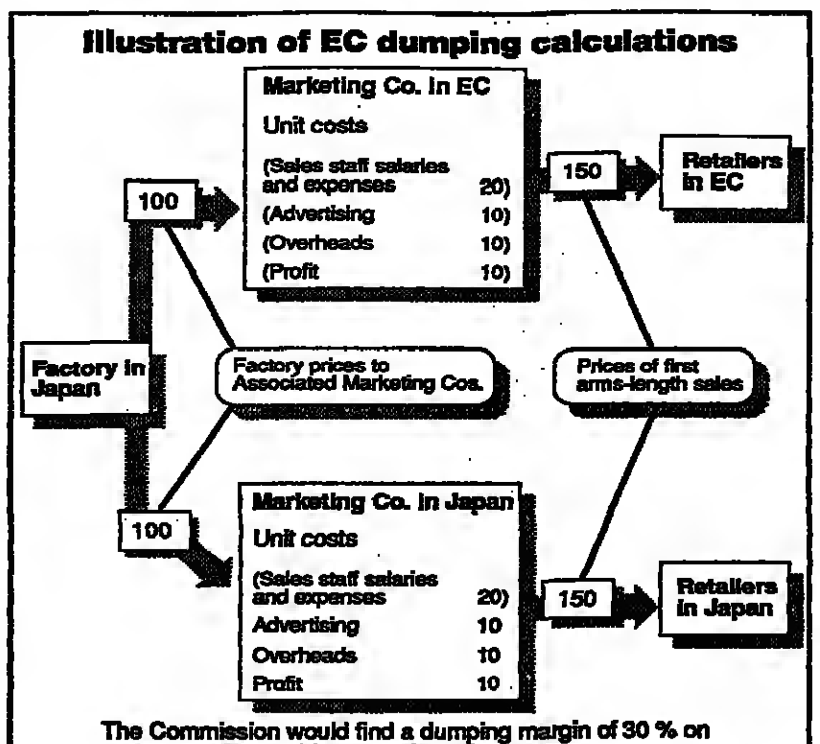
The architects' problem is how to construct a Fortress Europe that has high walls and heavy cannon pointing in one direction but not in the other. That is the problem that is solved by the manipulation of anti-dumping measures. Anti-dumping action can be targeted very finely – on specific companies, even.

Can a couple of dozen anti-dumping actions constitute a foundation for a very formidable Fortress Europe? The answer is "yes". What matters is the conviction of far-eastern exporters that they will be hit by anti-dumping duties, even if they charge the same price in the EC as in their home markets. If a policy of charging the same price in both markets attracts an anti-dumping duty in the EC, an exporter's best strategy is to pre-empt the duty by charging a much higher price in the EC. And that serves the purpose of protectionists in the EC quite as well as an anti-dumping duty.

The notion of an Asian-facing Fortress Europe is supported by many citizens of the European Community. Is it so popular, one wonders, that there will be widespread approval of its construction on a foundation of demonstrable falsehood?

The author is Senior Lecturer at the London School of Economics

Illustration of EC dumping calculations



The Commission would find a dumping margin of 30 % on this export from Japan

Brackets denote items deducted by EC in constructing ex-factory cost

LOMBARD

BT's Christmas present

By Hugo Dixon

First prize for the most annoying Christmas present of last year goes to British Telecom (BT) for reducing the price of international phone calls on Christmas Day.

Cutting the price of international calls at Christmas sounds like just the sort of goodwill gesture that giant utilities such as BT should be making to keep their customers sweet.

After all, Christmas is a time when it is imperative for people to be in touch with their nearest and dearest. If they live in the same country, they can make arrangements to open stockings, sing carols and eat turkey together. But when they are separated by the oceans the telephone is the only way of making contact. So cutting prices is a jolly nice thing for BT to do, isn't it?

Selective price cuts

As far as inland calls are concerned, price cuts do make sense. Offices are closed and telephone traffic is half its normal rate, so reducing prices should encourage people to use the system more.

However, the opposite logic applies to international traffic. This is double the normal volume of calls on Christmas Day - more than the system can cope with. By cutting prices, BT is compounding the error and making the telephone service even more congested. Instead of cutting prices of international calls, BT should actually be putting them up.

This is not an abstract economic argument about supply and demand – as any FT reader who has tried to make an international call on Christmas Day will know.

You wake up in the morning and try to call your aunt – only to find that the telephone lines are clogged up with thousands of other people who are trying to do the same thing.

"Sorry. All lines to the country you have dialled are busy at the moment. Please try later," says the soothing voice of BT's computer.

So you try five minutes later, and ten minutes later. Still no success. By this time you are so frustrated that you call the international operator and ask for help.

You have now forfeited your right to a discount because operator calls are not included in BT's Christmas cracker. No matter. You are so desperate that you are willing to pay the extra price.

If only they would let you . . . The telephone operators, unfortunately, cannot help you jump the queue. The lines are simply congested, and you are told to take pot luck.

And after the Queen's Speech and the first James Bond movie on Christmas afternoon you finally manage to hit the jackpot. That's fine – if you are calling Alberta, in Canada, or Alabama, in the US. But if your nearest and dearest live in Sydney, Australia, or Wellington, New Zealand, they will already be tucked up in bed. Too bad. You will have to call on Boxing Day.

Of course there is no such thing as free Christmas presents from utilities, any more than there are free lunches. One way or another, telephone consumers end up paying for BT's Christmas subsidies.

Fairy tale ending

However, this sad Christmas story could have a fairy-tale ending. By having a price rise rather than a price cut, people would be deterred from making international calls on Christmas Day. International lines would no longer be clogged up, and callers would not need to waste time before they got a connection.

They would know they had to pay more to call their families and friends abroad on Christmas Day, and would therefore have an incentive to delay their calls by a day or two. Such a system works perfectly well in the airline industry, where prices are jacked up over the Christmas period.

The extra revenue from increasing prices on Christmas Day could be put to good use. One idea would be to slash prices dramatically on Boxing Day (December 26) and December 27 to give people a greater incentive to call on those days. Another would be to channel the cash into improving BT's quality of service during the rest of the year.

LETTERS

The Banque de France/Al Saudi Banque affair

From Mr Salah Al-Hejailan.

Sir, Central banks throughout the world have a vital interest in maintaining public confidence in the banking system and the payments mechanism.

This is reflected in the recent action of the Banque de France, in utilising its powers under a 1984 law for the first time to require all French lending institutions to provide support for an ailing bank. The assistance was in the form of interest-free loans to Al Saudi Banque, supplementing an infusion of equity capital.

This particular restructuring plan is especially noteworthy, and has attracted both international attention and controversy. There are four particularly controversial features:

First, French lending institutions will contribute equity capital by forfeiting interest on their loans, but will not receive a corresponding participation in equity ownership or other benefits.

Second, the former minority shareholders of the bank have not been invited to participate in the restructured bank.

Third, the Banque de France has shown remarkable indecision and vacillation in reaching the required scale of the rescue plan.

And fourth, in the reorganisation a substantial amount of Al Saudi Banque loans have been "written off" by making full provision on the balance sheet.

These loans are, of course, still valid and still due from the debtors. Experience tells us that some collection will be made on such loans over time. In the case of Al Saudi, the recoveries could be significant.

One way to compensate French lending institutions for their interest-free loans would be to assign to them any recoupment from the Al Saudi "written off" loans.

This could best be accomplished by transferring the loans to a French bank, unrelated to the Al Saudi Banque and its shareholders, which would act as collection agent. Any recoveries, after expenses of collection, could then be distributed to the lending institutions in proportion to their interest-free loans.

Such a procedure would be inherently fair, would alleviate concerns about the mandated loan procedure, and would be in keeping with practices elsewhere. It is not uncommon, in the case of bank restructuring, for doubtful and non-performing loans to be segregated into a "collection bank" or "collection agent", with net recoveries flowing to parties who absorbed the restructuring costs or losses.

In this instance, the Banque de France has achieved its purpose of assuring international confidence in the French depository system. By providing an opportunity for participating French institutions to benefit from loan/loss recoveries, it could now add to confidence within the French financial community as to the equitable sharing of burdens.

As a representative of the former minority shareholders of Al Saudi Banque, who have lost their entire investments, and as a Saudi attorney with 25 years' experience in international business, it is my hope that every effort will be made to eliminate or minimise any costs to the financial community at large. Then, in the end, the only losses from Al Saudi Banque will be to the shareholders, whose equity investment bore the potential for both losses and gains.

A final observation from the shore of a "developing" country:

Writing off of debts may be a sign of strength in Western thinking, but it is interpreted differently in developing countries or in the minds of debtors. It may be thought that the creditor bank in question has taken enough advantage of non-performing customers – and that is why debts are easily written off. However, such announcements, if premature, frustrate all efforts for collection, spoil business reputations and encourage a lack of responsible conduct towards debt recovery.

Salah Al-Hejailan,
PO Box 1454,
Riyadh 11431,
Saudi Arabia

State power can frustrate EC competitiveness

From Mr Andrew Alexander.

Sir, "French win rail contract in Spain" (December 24): Spain has agreed to pay Pta 5ibn to Alsthom Atlantique rather than accept a bid of Pta 39bn from Mitsubishi for one element of its railway modernisation. You report: "The Japanese, though cheaper, have been ignored because of Madrid's need to satisfy its two most important European Community partners."

The Alsthom quotation, at 30 per cent more than the Japanese, is itself almost traitorous to the European ideal. The French, to aid their Community partners, should at least be competitive with outsiders.

The purpose of internal free trade is to make Europe competitive. Instead, Madrid "needs to satisfy" the French to the tune of Pta 12bn. Intergovernmental obligations can just as well create unfair competition against the other countries within the EC.

This appears to be a classic use of state power to avoid making EC industries competitive within a high external tariff barrier – in this case a notional one of 30 per cent. Perhaps the only way to ensure that the European Community becomes competitive is to pass an EC law to the effect that failure to compete should be punished with a tax on the quotation of the difference.

The deal is an example of what many industrialists conceive to be the EC's purpose: carve-up of a closed market, by cartels, with political aid.

Andrew Alexander,
Chairman, The Free Trade League,
44 Speed House, EC2

EC anti-dumping actions

From Mr David Gestetner.

Sir, Mr Chalfon (Letters, December 12) fails to acknowledge his role as the chief counsel on the staff of Rank Xerox when it was pursuing the photocopier anti-dumping complaint against the Japanese.

He now claims that the European Court has considered and supports the validity of the EC regulations on dumping, including the methodology adopted. This comment is misleading. The Court's remit is to ensure that the regulations have been correctly applied by the Council and Commission. It is not for the Court to challenge the regulations themselves, or the methodology inherent in them. This is unfortunate, because the permitted methodology can so easily (many feel, too easily) be used to "prove" the existence of dumping. Other, fairer yardsticks might well show the contrary to be the case.

The fact that dumping is a bad thing and, as an activity, is condemned by the Gatt (General Agreement on Tariffs and Trade) is not in question. What is in question is whether the Community is using this general condemnation specifically to hinder Japanese access to the Community market. At present, there is much apprehension about the possibility of "Fortress Europe" emerging after 1992: the present Community action in the area of anti-dumping will do nothing to calm those fears.

The danger is that European industry will continue to be behind the times, featherbedded, and producing inferior products at relatively high prices, with no real incentive to compete with the Japanese by producing products competitive to their products from both a feature and price aspect. This is why my company felt forced to import Japanese photocopiers.

Ironically, the result of the apparent present EC policy could be that most countries outside the EC itself, including even those of the so-called Third World, will be able to enjoy a wider and more advanced range of products at cheaper prices than the unfortunate European consumer: an industrial version, in fact, of the CAP (common agricultural policy).

Is this what the original visionaries of a United Europe really intended?

David Gestetner,
Gestetner Holdings,
Gestetner House,
PO Box 23,
210 Euston Road, NW1

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Soviet export curbs dash Comecon hopes

By Quentin Peel in Moscow

HOPES FOR progress towards a unified customs system within Comecon, the Soviet-led trading bloc, have been dashed by the imposition of new curbs on consumer goods exports by several leading members, a senior Soviet official admitted yesterday.

However, he denied that the curbs amounted to an internal trade war. This would be "a misnomer," said Mr Vitaly Boyarov, first deputy head of the Soviet customs entity.

Soviet measures announced last weekend to prevent the export of a range of consumer goods – such as televisions, washing machines, freezers and refrigerators, coffee and caviar – were not a retaliation for similar measures introduced in Czechoslovakia, East Germany and Poland, he insisted.

"The new regulations were prompted by conditions in the domestic market," he said. "You know our shops are empty. It is an interim step which allows us to keep more goods for the Soviet people."

He listed a string of statistics to show that private individuals were exporting large quantities of consumer goods in short supply, bought for roubles on the domestic market.

He cited the cases of one "foreign official" who had exported 392 freezers, 78 washing machines and 142 air-conditioners in one year. More than 500,000 television sets and 200,000 washing machines had been privately exported in the past 10 months.

The exports were going to other socialist states and to developing countries.

Although Soviet citizens were involved in the trade, Mr Boyarov said only foreign visitors would be affected by the outright ban on seven items, and high export duties on a wide range of other goods.

He admitted that the action would delay progress on the unification of customs rules within Comecon, on which talks have continued for 2½ years. "These steps will affect that process. I believe they will be adjusted, changed. Exchanges will be stabilised."

Goods bought by foreign visitors for hard currency will not be affected. The curbs are to prevent the export of goods bought for roubles, this currency often purchased at black market rates.

Moscow's limit on co-operation

Quentin Peel reports on a backlash against private enterprise

LEADERS OF the fledgling co-operative movement in the Soviet Union – a key part of Mr Mikhail Gorbachev's economic reforms – have expressed alarm and despondency at a whole range of new restrictions imposed on their activities.

They claim that the far-reaching decree of the Soviet Council of Ministers, published without public debate just before the new year, will undermine confidence in co-operative enterprises.

They say confidence will be particularly undermined among potential foreign partners.

Workers in the sector, which amounts to private enterprise in all but name, described the new rules yesterday as a "backlash by the bureaucrats," determined to bring their businesses under effective state control.

However, senior government officials insisted yesterday that less than 1 per cent of all co-operatives would be affected.

"We have no intention of interfering with the development of the co-operative movement in the country," said Mr Georgy Golubov, a senior official of the Justice Ministry.

"The aim is only to prevent anything that runs counter to the interests of society and the state."

Among the activities now banned, six months after a permissive new law on co-operatives was introduced, are a whole range of medical services, co-operative schools, the production or hiring of video films, publishing books on science, art and literature, and the manufacture and sale of religious items.

Another ban is on co-operatives involved in monitoring "hygiene standards and levels of chemicals in the environment," while all state monopolies, such as alcohol production and processing precious metals and stones, will be restricted.

In addition, a whole range of activities will only be allowed if a co-operative has a contract with a state enterprise: these include other publishing activities, organising concerts, artistic events and other forms of entertainment, and co-operation with foreign tourist operations.

"There will be a very negative result for the foreign trade of co-operatives," said Mr Vladimir Yakovlev, chairman of Fact, a central agency for pooling information on the rapidly expanding sector. "Foreign partners want to have stable relationships."

He said the biggest effect would be on medical co-operatives – the fastest growing sector – and video operations, both of which had invested heavily in setting up their concerns before they were banned.

A string of government officials defended the decree yesterday, arguing that many co-operatives were making excessive profits, and offering substandard services.

They could see no apparent contradiction in the willingness of Soviet citizens to pay high prices for goods and services provided only erratically, if at all, by state agencies.

However, the action against co-operatives does reflect a growing public backlash at their obvious high prices, and high wages paid to their workers. Newspapers have reported a serious of mysterious fires at co-operative ventures such as cafes, the object of considerable envy from workers who cannot afford their prices.

The new ventures, whose turnover totalled some 1.6bn roubles ($2.6bn) – still only a tiny proportion of the economy – in the first half of the year, have also faced threats from gangsters demanding protection money.

Mr Yakovlev said last night that he believed the new decree would be reversed, in the face of a big campaign by the co-operatives and the Soviet press.

"I am sure that the reason for this law is psychological," he said. "I think it will be changed.

"The only thing the co-operatives need from the Government is to be left alone. That is very difficult for government officials to understand, because of all our history and experience. They always want to take part."

He said the movement had been successful in forcing plans for heavy profit taxes to be abandoned last year.

Other operators, however, fear that the move could signal a clear victory for state bureaucrats over the reformers backing Mr Gorbachev.

"I am very depressed," one co-operative worker said last night. "The worst thing was the way the decision was taken: it was taken by officials and never discussed in public, certainly not among co-operatives. They are actually breaking down what has already been created."

Drexel junk bond operation 'staying put'

By Roderick Oram in New York

DREXEL BURNHAM Lambert, the embattled US investment bank, insisted yesterday that it would not move its junk bond operations – the source of its profits, power and tangles with the law – from Beverly Hills to Wall Street as part of its settlement of securities law violations with federal prosecutors and regulators.

It was the only comment Drexel would make as speculation grew in New York about the final terms it is negotiating with the US Attorney-General's office and the Securities and Exchange Commission.

The talks "are just moving along with no real snags that I see or hear," said Mr Stephen Anreder, Drexel's spokesman.

The negotiations are fleshing out an agreement in principle Drexel reached with federal prosecutors shortly before Christmas. It will plead guilty to six felonies and pay penalties totalling $650m to end a two-year investigation centred on its California-based operation run hy Mr Michael Milken and specialising in high-yield, high-risk junk bonds.

The criminal settlement is conditional on Drexel's reaching an agreement with the SEC on civil charges the agency filed against it on the same issnes last September. Those talks have a deadline of next Tuesday but it is widely expected the two sides will need more time.

Although the SEC might allow the junk bond operation to remain in California, it is insisting that its senior management is changed and supervision of it, record keeping and anthority over big deals are moved to Drexel's Wall Street headquarters, according to reports in New York. Mr Milken had run it as a largely antonomous fiefdom.

The SEC, as it has in the past with lesser cases of lax Wall Street management, is also believed to be demanding that Drexel appoint a compliance officer acceptable to the agency. It seems certain, however, that Mr Robert Linton and Mr Fred Joseph will retain their posts as Drexel's chairman and chief exective, respectively.

What will happen to Mr Milken is the biggest unknown. He remains the only Drexel employee singled out by prosecutors who, according to reports, are demanding he leave the firm and forfeit virtually all his last year's earnings.

De Beers' rough diamond sales hit record

By Kenneth Gooding, Mining Correspondent, in London

DE BEERS, the South African mining group, celebrated its centenary year with record rough (uncut) diamond sales in 1988.

The gronp's London-based Central Selling Organisation, which controls about 80 per cent of the world market, reported yesterday that its sales last year were $4.172bn, some 36 per cent ahead of the previous record of $3.075m in 1987.

However, the figures were accompanied by a warning from Mr Nicholas Oppenheimer, CSO chairman, that the strong growth in demand could not be expected to continue this year.

"It would be unrealistic and counter-productive to expect the unusually strong momentum seen in the past year being sustained indefinitely," he said in his annual message to world diamond traders.

A CSO official said the company was taking a cantious view of the current year because of the tendency towards higher interest rates; a strengthening US dollar (the currency in which diamond prices are quoted); and a possible sharp drop in sales in Japan, which accounts for about 27 per cent of world diamond jewellery retail sales, when Emperor Hirohito dies.

Israeli traders have reported that the CSO reduced its supply of rough diamonds to the cutting and polishing centres by about 30 per cent in October and November, a move the traders welcomed in view of the recent relatively depressed prices for large cut diamonds in the US and Japan.

The CSO increased rough diamond prices by an average of 13.5 per cent in May but a further price rise expected in September did not materialise.

The CSO results were in line with the expectations of many analysts following record half-year figures. At Kitcat & Aitken, the London securities house, analysts Mr Michael Coulson and Mr Charles Kernot predicted that consequently De Beers' earnings and dividends would each rise by two thirds from the 1987 level.

UK backs Plessey in European microchip research

By Terry Dodsworth, Industrial Editor, in London

PLESSEY, the embattled UK electronics group, has joined an ambitious $4bn European research project into the next generation of semiconductor technology after winning financial backing from the UK Government.

The decision to support the microchip programme, known as Joint European Submicron Silicon (Jessi), comes at a critical point for the company.

It coincides with Plessey's struggle to remain independent in the face of a joint £1.7bn ($3bn) takeover offer from the General Electric Company of the UK and Siemens of West Germany – a bid that has been clearly identified with the need for stronger pan-European links in research and technology-based industries.

Siemens is one of the leading advocates of an increased commitment to semiconductor research and manufacturing in Europe as a means of competing more effectively with US and Japanese industry. The West German company has been one of the main project leaders in Jessi.

Since the bid for Plessey was announced, Siemens has also sketched out plans for a co-ordinated semiconductor operation combining the chip manufacturing activities of the three companies involved.

Plessey has been talking to officials from Jessi for the past 12 months. In the past four months, however, these discussions have become more serious following the acceptance of SGS-Thomson into the programme, and Plessey has now joined some of Jessi's planning committees.

The Department of Trade and Industry says that it has told the company, and other British groups which might want to become involved in Jessi, that there is government funding available, depending on the type of project chosen.

Jessi project planners are shortly due to produce a report that will form the basis for the selection of projects and decisions on funding. Plessey's main interest is in the field of semi-custom chips, where Jessi is expected to have a separate programme from other projects in different kinds of memory chip technology.

Funding will hinge on decisions involving the European Commission as well as national governments and the companies concerned.

It now seems likely that the European Commission will try to find some money for Jessi from the pan-European Esprit information technology research and development programme. Esprit has some extra funds available and would not require further injections from its European Community participants.

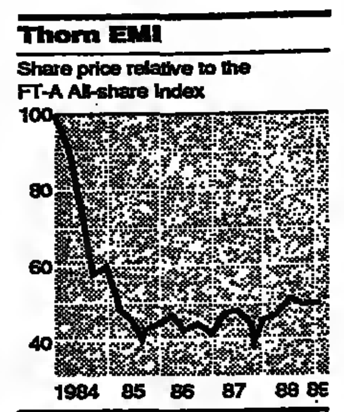
Other projects, however, may be funded on a bilateral government-to-government basis under the Eureka research organisation. This would require new Government money being made available to match company funding.

"We have had an assurance from the Department of Trade and Industry that if any UK company is involved in a Eureka project the Government will look at it and may be willing to fund up to 50 per cent of it," said Mr Melvyn Larkin, technical director of Plessey's engineering and components division at Swindon,

THE LEX COLUMN

Thorn EMI goes for a song

The market's friendly response to Thorn EMI's $337m investment in golden oldies may contain a touch of sentiment, but there is more to it than that. Thorn has had its full share of disasters in high-tech manufacturing in the past, and its more recent emphasis on low-risk rental and service businesses strikes a chord in the current investment climate. Financially, each tuneful morsel in the SBK portfolio has the characteristics of an index-linked bond, with a tonch of real growth thrown in to offset the risk that people may tire of whistling Over the Rainbow before its copyright expires. If Thorn's projections for growth and cost-saving are correct, SBK's pre-tax income in 1989/90 might be as much as $38m, representing a yield on the purchase price of 11 per cent – a clear two points over US Treasuries.



Much more contentious is Thorn's accounting treatment of the deal. Whether the new £103m convertible preference issue should count as debt for purposes of gearing is arguable. What is certain is that Thorn's decision to take SBK's copyrights onto the balance sheet at purchase price creates yet more confusion in the debate over accounting for intangibles. Despite the fact that every one of SBK's titles becomes valueless at a known future date, no depreciation will be charged, on the doubtful grounds that future titles bought to replace the SBK portfolio will still be charged to the profit and loss account, as a kind of proxy for depreciation.

The result is pro-forma gearing of some 50 per cent, half what would result from including the convertible as debt and writing off intangibles. Thorn's efforts are a simple demonstration that gearing still matters, if only in presentational terms; though with cash flow this year projected at over £800m, and interest cover at over 7 times, the company can scarcely be charged with imprudence. Indeed, with the shares on under 10 times current year earnings, it could be represented as a model of safe investment for 1989.

Savings ratio

Everyone knows abont spendthrift British shoppers, but it is hard to believe that the personal sector is really spending 98.7 per cent of its income, as yesterday's official figures suggest. There is always good reason to ignore the savings ratio as a residual between two big numbers which in themselves are both suspect; this time the numbers seem particularly unreliable. For a start, the last minute dash to borrow before the MIRAS rules changed caused a great bulge in borrowing in the autumn. Meanwhile, the third quarter national income statistics have proved a dreadful embarrassment to the CSO, which has had to pin a health warning on the expenditure figures, and the chances are that the personal income figures will prove little better.

While it is easy to disbelieve that the savings ratio really is below 2 per cent, there is no escaping the trend. To those who believe in the power of interest rates, the sequence should soon flatten and then turn. But the steady and remorseless fall in the savings ratio this decade from 12.8 per cent to 1.3 per cent must suggest to the chartist a move into the red. Norway is there already, and is not much of an advertisement for the process.

Australia

Another modest rise in the Australian re-discount rate yesterday – the twelfth rise in less than six months – is a further indication that Australia is facing an even more severe financial squeeze than the UK. And whereas Australia is suffering from the same sort of balance of payments problems and inflationary pressures as the UK, the scale of the problem is different. Australia's trade deficit is beginning to shrink,and inflation is now headed downhill. This point has not been lost on the international bond or foreign exchange markets. The Australian dollar appreciated by more than a fifth last year; and according to CSFB's figures, Australian dollar bonds were the top performer for international investors in 1988, providing an unhedged total return of 34.5 per cent. Although the Australian squeeze has taken longer than expected to take effect, local interest rates should soon start to head lower, especially if the Government wants to win re-election. Whether this can compensate for the overdue decline in the currency is a moot point.

Airlines

Either the stock market has not noticed that the US Sixth Fleet is assembling off the coast of Libya, or else it is surprisingly relaxed about the consequences of the latest outbreak of hostilities. Pan Am shares have risen by a sixth so far this year, KLM shares are standing at a twelve month high and even British Airways' shares managed a modest recovery yesterday. The last time that the US and Libya fell out, international carriers had a terrible time, and transatlantic traffic collapsed as US tourists cancelled their European holidays.

Admittedly, the damage to transatlantic travel in 1986 was compounded by the Chernobyl nuclear accident; and since the bombing of Tripoli occurred close to the start of the peak travel season, airlines were caught with too much capacity in place. This time they should have more time to make contingency plans if the Libyan hostilities were to lead to another European boycott by US visitors. Nevertheless, for an airline like Pan Am, which is already operating on load factors well below its European rivals and has been loss making for eight years, the latest news cannot be encouraging.

Longer-term, however, there are plenty of airline bulls around. County NatWest WoodMac notes in its latest annual airlines survey that a year after the last US row with Libya, Atlantic travel jumped by 22 per cent, and probably grew by close to 10 per cent last year. With worldwide air travel growing by upwards of 6 per cent a year over the next five years, while capacity is set to grow by less than 5 per cent, operating profits should grow by at least 13 per cent per annum in real terms. Unfortunately, the airline industry remains one of the world's most unprofitable growth industries; notwithstanding County WoodMac's npbeat comments,it looks like remaining so.

North charges setback

Continued from Page 1

White House aide's lawyers were making exaggerated demands and therefore needlessly jeopardising national security.

Judge Gessell rejected an attempt by Mr Walsh to reduce the amount of classified material he had ordered disclosed at Col North's trial. Mr Walsh then met Mr Richard Thornburgh, US Attorney-General, in an apparently unsuccessful effort to secure all the classified information he wished to release at the trial.

Mr Reagan appointed Mr Walsh to conduct a criminal investigation of the scandal more than two years ago.

Thorn EMI pays $337m for copyrights

Continued from Page 1

cally insensible," said Mr Mike Metcalf, deputy finance director. "Music copyrights are about as close to a tangible asset as an intangible asset can be," Mr Metcalf said. They are created, protected and – in the US – index-linked by law.

A high proportion of the copyrights run for at least another 20 years.

In addition to standards such as Don't Sit Under the Apple Tree, April Love and New York, New York, the SBK portfolio includes the works of contemporary artistes snch as Tracy Chapman, the US folk-rock singer

Two of SBK's executives, veteran music publishers and producers Mr Charles Koppelman and Mr Martin Bandier, are to establish a new record label in joint venture with EMI, which will distribute all recordings on the label.

SBK's chairman and main financial backer is Mr Stephen Swid, former co-chairman of the private US furniture maker Knoll International and one-time hostile bidder for Sotheby's, the international auction house. He will have no part in the new venture.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	18	64	Dubrovnik	S	08	46	Malta	S	13	55	Rhodes	S	13	55
Algiers	T	11	52	Edinburgh	C	05	41	Manchester	R	05	41	Rio de J'o	R	32	90
Amsterdam	C	07	45	Faro	S	16	61	Manila	F	29	84	Rome	C	11	51
Athens	F	13	55	Florence	F	06	43	Melbourne	C	18	64	Salzburg	F	03	37
Bahrain	F	17	63	Frankfurt	C	02	36	Mexico City	F	24	75	San Francisco	R	14	57
Bangkok	F	34	93	Funchal	F	18	64	Miami	C	23	73	Seoul	C	06	43
Barcelona	S	10	50	Geneva	F	03	37	Milan	Fg	-1	30	Singapore	C	31	88
Beirut	C	13	55	Gibraltar	S	15	59	Montreal	F	-24	-11	Stockholm	C	03	37
Belfast	R	07	45	Glasgow	R	06	43	Moscow	C	02	36	Strasbourg	C	05	41
Belgrade	F	-5	23	Guernsey	R	10	50	Munich	R	02	36	Sydney	F	28	82
Berlin	R	07	45	Helsinki	C	03	37	Nairobi	F	24	75	Taipei	F	20	68
Biarritz	F	11	52	H. Kong	C	17	63	Naples	F	08	46	Tangier	S	15	59
Bombay	S	31	88	Innsbruck	F	01	34	Nassau	F	25	77	Tel Aviv	F	13	55
Bordeaux	S	11	52	Inverness	F	05	41	New Delhi	F	18	64	Tenerife	C	18	64
Brussels	S	06	43	Islamabad	R	16	61	New York	C	-5	23	Tokyo	F	10	50
Budapest	Fg	-1	31	Istanbul	F	08	46	Nice	S	11	52	Toronto	F	-14	07
B. Aires	F	34	93	Jakarta	R	30	86	Nicosia	F	13	55	Tunis	C	17	63
Cairo	C	15	59	Jersey	R	08	46	Oporto	F	12	54	Valencia	F	15	59
Cape Town	S	26	79	Jo'burg	C	21	70	Oslo	F	01	34	Venice	Fg	-3	27
Caracas	C	23	73	Lima	F	26	79	Paris	C	07	45	Vienna	C	-4	25
Casablanca	S	16	61	Lisbon	F	10	50	Peking	Sn	-1	30	Warsaw	F	02	36
Chicago	F	-3	27	London	C	08	46	Prague	R	01	34	Washington	C	-1	31
Cologne	C	06	43	Los Angeles	C	15	59	Reykjavik	F	-5	23	Zurich	C	01	32
Copenhagen	F	05	41	Luxembourg	C	03	37								
Corfu	S	12	54	Madrid	S	05	41								
Dallas	R	13	55	Majorca	F	15	59								
Dublin	R	11	52	Malaga	S	13	55								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Italy reconsiders Bagnoli steel closure

Continued from Page 1

The 3,000-odd workers at Bagnoli have warned since midsummer that they would not accept any further closures, and tha anger which they so vividly displayed yesterday has been fired by the Government's failure to clarify what it had agreed in Brussels.

The Commission made clear as early as October that it would expect the melting shop to close at the end of June and the fact that this had become a "decision" was finally made clear by the Italian press, not the Government, at the end of December. The Government's position now is that at mid-year it will examine the economics of steelmaking in Naples and the alternative of supplying the Bagnoli rolling mill from Taranto.

Mr Da Michelis did stress yesterday that even if steelmaking were retained, unions and workers would still have to accept job losses. To sweeten the pill, the Cabinet also adopted yesterday job creation plans for areas affected by steel closures, inclnding provision of L1,070bn to create 4,090 posts in Naples.

For the moment, the Naples "yellowhats" as they call themselves are in a clearly anomic mood, with very little constraint being exercised by the forces of law and order. Police were apparently about to intervene at the railway station yesterday after passengers had been terrorised by flying bricks and the smashing of marble benches, but the mob was finally persuaded to leave

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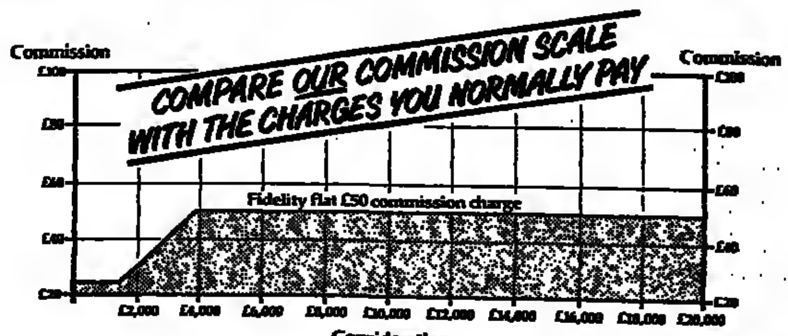

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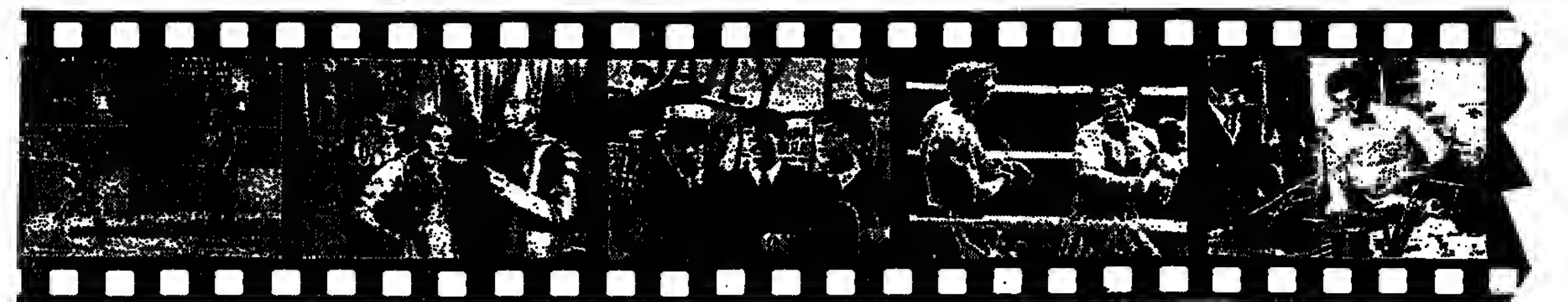
TAYLOR WOODROW
TEAMWORK IN CONSTRUCTION WORLDWIDE

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				Rises			
Commerzbank	244.5	+	5.5	LVMH	4141	+	681
Karstadt	403	+	10	Penhoet	428	+	43
Kaufhof	387	+	8	Synthelabo	485	+	43
Klockner Comp.	324.5	+	17.5	Falls			
Schering	553	+	11	Avion Dassault	642	-	29
Falls				Geophysique	355	-	17
MAN	252	-	3	TRT	1180	-	103
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
General Motors	84⅞	+	1⅝	Kandenko	4210	+	300
Limited Inc.	30	+	1	Netsuren	1960	+	81
Proctor & Gam.	85⅞	+	1⅞	Taisei Kaiki	1290	+	140
Woolworth (FW)	52⅛	+	1⅛	Falls			
Falls				Achilles	931	-	60
Fed. Express	53¼	-	1⅜	Marito Mat.Sea	1150	-	60
Telerate	55	-	2⅜	Tec Elect	1430	-	80
New York prices at 12.30							
LONDON (Pence)							
Rises							
Big Cards	434	+	11	Smith (WH) A	239	+	4
Booker	386	+	11	Tate & Lyle	834	+	9
Enterprise Oil	470	+	11	Taylor Woodrow	660	+	10
Eurotunnel	519	+	12	THORN EMI	638	+	12
GEC	193	+	7	Triton Europe	185	+	11
Grand Met	489	+	13	Falls			
GUS A	982	+	24	Body Shop	488	-	22
ID	510	+	8	Leisure Inc	85	-	7
Lasmo	153	+	8	Pearl Gp	408	-	18
Plessey	206	+	12	Sock Shop	169	-	14
RHM	355	+	16	Utd Biscuits	309	-	12
Sadie City A	346	+	35	VG Instruments	246	-	19
Saatchi & S	338	+	6				



It's raining money over the rainbow

Philip Coggan and Clay Harris look at Thorn EMI's $331m expansion in music publishing

If the best things in life are free, then music fails to qualify. A real-life Sam would have to pay a royalty every time he played it for Humphrey Bogart and Ingrid Bergman.

Music publishing is big business, and yesterday's $337m takeover by Thorn EMI, the UK entertainment and electronics group, of the publishing portfolio of the private US group SBK Entertainment World, makes it one of the two largest music publishers in the world.

SBK owns the rights to some 250,000 musical compositions, many of which come from successful films such as The Wizard of Oz, Singing in the Rain, Rocky, and the Beatles "rockumentary" A Hard Day's Night.

Added to the 300,000-strong portfolio already owned by EMI Music Publishing, the combined group will have around 12 per cent of world music publishing revenues, rivalling Warner-Chappell.

Ironically, in 1987 SBK had been prominent in attempting to block the takeover of Britain's Chappell by the US entertainment group Warner Communications. The merger was referred to the Monopolies Commission which eventually cleared the deal.

Publishing is but one part of EMI Music, an international recording business whose main labels are EMI in the UK and Capitol and EMI-Manhattan in the US. In the year to March 1988, music accounted for pre-interest profits of £38.2m ($69m), a figure which includes the contribution from Thorn's 28.7 per cent stake in Thames Television, but not the group's HMV retail chain.

The SBK-EMI merger will, it is claimed, be e neat strategic fit. EMI's portfolio, although it includes some standards such as Star Dust and the Warsaw Concerto, also contains e large number of relatively modern songs such as Absolute Beginners and (I've Had) The Time of My Life.

Thorn argues that the combined group will own an effective mix of golden oldies and current hits. Its royalty-earning capability should steadily increase over the years. The larger portfolio should also attract more artists to EMI's record labels.

The first step in turning a song into a revenue-earning asset is for the budding Irving Berlin or Cole Porter to sell the rights to his or her new composition to a publisher, in return for an advance and a share of the future royalties.

The publisher then collects the royalty fees from the various entertainment media and, after deducting the composer's share, retains the remainder, known as the net publishers' share.

In the days of Tin Pan Alley, publishers made their money from the sheet music which the eager public would acquire in order to have sing-songs round the piano. Nowadays, sheet music is relatively unimportant and royalty income comes from three main sources.

Mechanical licences bring in fees every time a song or composition is reproduced on record, tape or (increasingly importantly) compact disc. *Public performance licences* earn royalties each time music is performed live, either in a theatre or on radio or television.

Leading music publishers

% of world revenue

Publisher	%
Warner-Chappell	12
EMI Music	6
SBK Ent World	6
MCA	3
ATV	2

Source: Industry estimates

Synchronisation licences earn royalties from audio-visual work such as films, video cassettes and commercials. For example, EMI is currently raking it in from the British solid-fuel commercial in which dog, cat and mouse exchange fireside kisses to the tune of "Will You Love Me Tomorrow".

EMI even owns the rights to what must be the most popular song in the world, Happy Birthday. "Next time you sing it, just remember to send the cheque in," quipped Mr Colin Southgate, chief executive.

What is most attractive about music publishing is the cash flow. Thorn calculates that the marginal costs of adding the SBK portfolio will be just $3m compared with the net publishers' share of $37m this year. Even after adding financing costs, it will enhance earnings per share.

However, the effect on Thorn EMI's balance sheet is more complex. Thorn will be changing its accounting policy to treat the acquired songs as an asset, although it will not be altering its policy on the copyrights it already owns.

Since copyrights are created by law and protected by law, Thorn argues that they are as near to tangible assets as any intangible asset can be. However, the decision not to depreciate such assets may be less readily accepted.

Given that the copyright period of songs exists for a set period (in most countries, 50 years after the composer's death) it would seem, on the surface, obvious that the songs should be depreciated over the same period. But Mr Mike Metcalf, deputy finance director, said that such a policy would be "economically insensible."

If Thorn EMI's figures are accepted, the group's pro forma gearing ratio will be about 55 per cent. However, the debt level does not include the £108m convertible preference share issue, being used to finance the bulk of the purchase.

Yesterday's deal is the latest manifestation of Thorn's four-year-old policy to focus on four core areas after abandoning the expansionist dreams of the early 1980s.

Retrenchment has included the disposal of the Ferguson television business, domestic appliances manufacturing, and e 51 per cent stake in Thorn Ericsson Telecommunications.

Late last year, moreover, Thorn agreed to sell Inmos, the semiconductor business bought from the UK Government in 1984, to SGS-Thomson.

Thorn paid e heavy price for the Inmos experience. From £156.8m in the 12 months to March 1984, group pre-tax profits collapsed to £104.7m in 1985-86 before reviving to £225.3m last year. Its recovery has involved strategic investments in its four main sectors: electronics rentals (UK chains include Radio Rentals and DER) and retailing, technology, lighting and music.

The biggest single purchase was the £371m purchase of Rent-A-Center, a US consumer electronics and rental chain, in 1987.

And yesterday, it was the turn of music, over which there had been persistent question marks, despite its historic role in EMI. "I hope this once and for all puts to bed any doubts about our commitment to the music publishing business," said Mr Southgate.

Collins set to back Murdoch takeover

By Fiona Thompson in London

DIRECTORS of William Collins are this morning expected to recommend acceptance of News International's £403m ($725m) offer for the UK book publisher.

Schoders, the merchant bank representing Collins, met yesterday with Charterhouse, for News. Collins submitted a list of conditions on its independence and future growth which Mr Rupert Murdoch, chairman of News, is thought likely to epprove this morning in Melbourne. This would pave the way for the Collins directors to recommend acceptance at their board meeting.

The future of Mr Ian Chapman, chairman of Collins, is still in the balance. Mr Murdoch was due to speak to Mr Chapman last night and, after News' blistering attacks on the Collins' management and the subsequent bitter words spoken by both sides during the seven weeks, its seems likely Mr Chapman will go.

Mr George Craig, chief executive of Harper & Row, US publisher owned jointly by Collins and News Corporation, parent of News International, is being mentioned as a possible successor.

This has been a curious bid. News International ended up raising its original offer by 37 per cent to 880p for Collins' ordinary shares and 735p for the non-voting "A" shares to match a potential bid from the French Groupe de la Cité which never came. The Collins board also recommended a bid which never materialised.

"Both sides painted themselves into a corner," said Mr Terry Connor, publishing analyst at James Capel. "Everyone reacted far too quickly."

"Collins was hoist by its own petard," said Mr Eric de Bellaigue, publishing analyst at CIBC Securities. "To get the white knight to play ball, Collins had to agree a fairly low price and felt it had to recommend the bid."

Mr Murdoch will be paying £320m for the 58.3 per cent of Collins he does not already own. Since its abortive 1981 bid, News has held a 41.7 per cent stake in Collins, for which it paid £5.1m.

That News has got Collins cheaply is not in dispute, especially when compared with some of the prices paid in recent publishing bids. Based on an after-tax estimate of £22.6m for Collins' 1988 earnings, Mr Murdoch's offer puts a price earnings multiple of 17.8 times on the business.

This compares, for example, with Pearson's March 1988 purchase of the US educational publisher, Addison-Wesley, which was on a multiple of 29.8 times

Strong profits bolster DAF's move towards flotation

By John Griffiths in London

DAF BV, the Dutch truck maker which includes the former UK State-owned Leyland truck and Freight Rover van businesses, more than doubled its net profit from Fl 63.1m to Fl 140m ($70m) last year.

The results reflected a year "when we first began to harvest the synergy of the merger which brought together DAF and Leyland," according to Mr Aart van der Padt, DAF's chairman.

They make it even more likely that DAF will put into effect during the first half of this year – probably in May – its already-declared intention to float itself on the London and Amsterdam stock exchanges.

That DAF was heading for record profits in the past year was clearly signalled at the interim stage, when it reported a net profit of Fl 57.6m.

Last year's figures were achieved on significantly higher turnover of Fl 5bn against Fl 3.8bn.

However, precisely what contribution to the total profit was made by the UK operations, merged with DAF in mid-1987, remains unknown.

Apart from once again confirming that the Leyland and Freight Rover operations had remained profitable "from day one" of the merger, DAF has said it will not provide any detailed breakdown.

Nevertheless, Mr van der Padt's indication yesterday that more truck production may be moved to the Leyland, Lancashire, plant, and now-confirmed plans to invest at least £100m ($180m) in a new Freight Rover van range for the early 1990s, provide clear indications that DAF is well pleased with the merger's outcome to date.

DAF has already moved production of 1,000 DAF 1900 model trucks to the UK from its Eindhoven plant.

With its Continental operations running at full capacity, it is expected to re-allocate production of some other models to the UK in order to allow higher production on the Continent of its 95 Series range, which was Europe's 1988 "Truck of the Year."

DAF disclosed yesterday that production at Leyland last year reached a record 15,678 units. However, this was still achieved on a single shift and, unlike DAF's Continental plants, Leyland still has significant surplus capacity.

Production at Eindhoven also set a record, said Mr van der Padt. It rose from 17,917 to 19,581 units. The same applied to the Birmingham-based Freight Rover vans operation, where output of 20,508 units last year stretched the plant to capacity.

Overall, said Mr van der Padt, DAF's share of the market for vehicles over 3.5 tonnes in Western Europe had risen from 9 per cent to 9.5 per cent.

John Brown takes Sofresid stake

By Andrew Taylor in London and George Graham in Paris

JOHN BROWN, engineering subsidiary of Trafalgar House, large UK construction, property, shipping and hotels group, yesterday announced the first of several Continental European investments it plans to make before European Community trade barriers are dismantled in 1992.

The company has acquired a 35 per cent stake in Sofresid, France's second-largest process plant developer after Technip.

It is understood John Brown paid more than FFr20m ($3.3m) for its 35 per stake in Sofresid. The French company has made heavy losses in recent years because of contract difficulties in Saudi Arabia and reduced demand for process plant in France.

The company's only other process engineering interests on the Continent are in the Netherlands. They were started about 15 years ago.

Mr Allan Gormly, John Brown's managing director, said the British company intended to expand its process engineering operations on the Continent and would be making other investments in several leading EC countries.

Continental sales, including power engineering and manufacturing sales, account for only about e tenth of John Brown's total turnover of £500m ($900m).

The construction engineering division which supplies plant to the chemical, pharmaceutical, metallurgical, oil and other process industries contributes just over half of all John Brown sales.

Mr Gormly said the French investment was important to John Brown which, for the first time, would be able to use its technology in France and in export markets maintaining close links with France.

He said Sofresid had resolved its earlier difficulties and added that the market for process plant in France was improving.

Sofresid accumulated losses of FFr140m between 1984 and 1986. It received e FFr48m cash injection from shareholders at the end of 1987. After heavy provisions it recorded a net loss of FFr51m on turnover of around FFr500m in a 15-month period to March 1988.

John Brown will become the French company's biggest shareholder. Sofresid said it had chosen John Brown in preference to linking up with Technip. Two of Sofresid's shareholders, the oil companies Elf and Total, are also shareholders in Technip.

Other shareholders in Sofresid include Usinor-Sacilor, state-owned steelmaker, and Paribas, investment banking group.

Peugeot hits at Renault debt plan

By Paul Betts in Paria

MR JACQUES CALVET, chairman of Peugeot, yesterday sharply criticised a government decision to go ahead with a controversial plan to write off FFr12bn ($2bn) worth of debts et Renault, rival state-owned car company.

Mr Calvet, who confirmed that Peugeot expected to report improved profits for 1988, was giving his first public reaction to last week's decision. He claimed the write-off would severely distort competition in the French car market.

He said he was surprised by the Government's decision to go ahead without changing the legal status of Renault from a privileged state-owned *régie* into an ordinary *Société Anonyme* (SA), or limited company.

The French Government decided to push ahead with the Renault plan even though it has so far not secured the approval of the European Commission. The former right-wing Government of Mr Jacques Chirac had originally proposed to link the debt write-off with a change in the legal status of Renault.

Mr Calvet said that under these circumstances a write-off would have eppeared justified, especially since a change in legal status would have been s first step towards the privatisation of Renault.

The decision of the Socialist Government to maintain Renault's special juridical status of a *régie*, however, now raised serious questions.

He also claimed that the sum of FFr12bn was no longer justified since Renault's financial situation had changed during the last 12 months. Renault is now expecting to report profits of about FFr6bn for 1988. Mr Calvet added that Renault had already received FFr12.7bn in capital grants from the state since 1982.

He confirmed that the Peugeot group, smbracing both the Peugeot and Citroën car marques, expected to report "slightly higher" net profits for 1988 than the FFr6.7bn of 1987. However, Peugeot would be paying considerably higher taxes of between FFr4bn and FFr5bn in 1988, compared with FFr1.63bn in 1987.

Group sales are expected to increase to nearly FFr140bn in 1988 compared with FFr118.2bn the year before. In volume terms, sales rose by 200,000 cars to 2m cars last year. He also said group car production had increased to 2.08m cars last year from 1.9m cars in 1987.

Mr Calvet said the group's target this year was to see sales and production rise by a further 5 per cent in a European car market which was expected to decline by between 2 and 2.5 per cent.

Car kits, Page 4

Sometimes...

People who look at things differently can really add value

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Volume drops at US exchanges

By Deborah Hargreaves in Chicago

DWINDLING interest in stock index products depressed trading volume last year at two of Chicago's major futures and options exchanges. However, the city's other exchange posted a record year.

The Chicago Board of Trade (CBOT) was buoyed by frenzied trading in its agricultural futures contracts in last summer's Midwest drought as well as by steady interest in its Treasury bond futures and options contracts. The exchange saw its volume rise 12.5 per cent to an all-time high in the US futures industry of 143m contracts.

At the same time, trading at its smaller rival, the Chicago Mercantile Exchange (CME), dropped 7.5 per cent last year to 78m contracts. This was due largely to a 40 per cent decline in volume for the exchange's bellwether Standard & Poor's 500 index futures, which was still affected by the equity slump following 1987's stock market crash, and traded 11.4m lots.

The continued effects of the stock market crash have hit the Chicago Board Options Exchange even harder. Volume in the CBOE's S&P 100 index option fell by nearly 45 per cent to 57.4m contracts. Trading in the exchange's equity options was also down by close to 30 per cent at 49.4m lots.

Agricultural futures contracts led the rise in trading volume at the CBOT as the US sweated through a sustained drought last year. Interest in soyabean futures picked up almost 70 per cent, with the contract trading 12.5m lots. Maize and wheat futures posted gains of 53 per cent and 75 per cent respectively.

Volume in US Treasury bond futures, which has taken over as the world's largest contract from the CBOE's S&P 100 index, grew 5 per cent to 70m lots. The exchange's three-hour evening session traded 3.5m contracts, up from 2.4m lots in 1987, when the special session had been running from April.

Currency and interest rate products showed gains on the CME, *but failed to compensate* for the decline in stock index volume. The CME's currency complex notched up a 6.6 per cent gain to 29m contracts and volume in interest rate futures rose 3 per cent to 25.7m lots.

Open interest – the number of contracts outstanding at the end of the year – rose at both exchanges: by 36 per cent at the CBOT and by 18 per cent at the CME.

Nymex joins Globex

By Deborah Hargreaves in Chicago

THE Chicago Mercantile Exchange announced yesterday that the New York Mercantile Exchange (Nymex) would become a partner in the Globex electronic trading system it is developing jointly with Reuters, the information group.

The agreement in principle makes Nymex the first exchange to join the CME in the venture. The deal will allow Nymex to list any or all of its futures and options products on the system, while sharing part of the development costs.

The Globex system, which is due to start up by October, is the CME's answer to global competition in the futures and options business. It will enable exchange products to trade in other time zones by providing an electronic marketplace that will function outside US exchange hours.

Both the CME and Nymex will provide their own clearing and settlement facilities as well as guaranteeing their own products on the system. Nymex, which is the world's largest energy futures exchange, will join the system in the first half of 1990.

The agreement with Nymex is a significant boost for the CME in its efforts to promote Globex. The exchange has faced criticism from sceptics who question the effectiveness of a screen trading system.

The CME has not yet received regulatory approval for Globex, but the Commodity Futures Trading Commission is due to meet on February 2 to discuss the issue.

Quantum leaps ahead through its 'lucky' substance

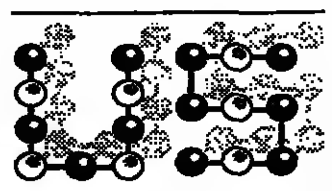
Demand for the world's biggest-selling plastic has turned round the US producer, reports **Peter Marsh**

Luck is how Mr Richard Tilghman, a vice-president of Quantum Chemical, the big US chemicals producer, explains with suitable modesty the extraordinary turnround in his company's fortunes in the past two years.

Quantum, which until about a year ago was known as National Distillers and Chemical, has benefited from the timing of an important sequence of acquisitions and divestments. It has also gained significantly as a result of the unusual – and, from the point of view of US chemicals producers, highly favourable – demand-supply balance that has prevailed in much of the US chemicals business since 1986.

In 1987 Quantum had sales of \$2.6bn and net income of \$251m – almost four times the figure for 1986. Analysts believe that net income for 1988 will show a further substantial increase to just under \$400m.

The turnround was underlined last week when Quantum announced it was paying a special dividend of \$50 a share.



Chemical industry

The payout, which will cost about \$1.2bn, will be financed largely by borrowings together with the sale of Quantum's fatty-chemicals business, which is expected to fetch about \$280m.

Behind the change in Quantum's fortunes has been one key product – polyethylene, the world's biggest-selling plastic. Although not the most fashionable material, polyethylene is used in a range of applications, largely in packaging, containers and pipes where demand for the substance is strong.

Thanks to the \$550m acquisition in 1986 of Enron, a big plastics manufacturer, Quantum became the biggest company in the US polyethylene market, which was worth about \$10bn in 1988.

Quantum claims one-fifth of this market, with Dow Chemical and Union Carbide, two other big chemicals groups, having about 11 per cent each.

Polyethylene is thought to have accounted for about two-thirds of Quantum's total estimated sales of \$3bn in 1988, the rest coming from other chemicals products and sales of propane gas.

Due to a sustained surge in demand for polyethylene together with constraints on supply caused by production shortfalls, prices for polyethylene in the US have roughly doubled in the past two years to the current level of about 55 cents a pound. The extra cash chemical groups have been able to sweep in for basic petroleum-base products such as polyethylene – all at a time when the price of the oil and gas on which the products are *based has been low* – is behind the general rise in profitability of the chemicals industry in which Quantum has shared.

However, in Quantum's case, the swing in fortunes goes deeper. At the end of the 1970s the company was generally agreed to have lost its way. It had diversified from its original base in alcoholic drinks – the company's sole business when it was started in 1924 – into a variety of interests including brass-making, insurance, blanket production and energy products. "We were an under-performing, under-loved conglomerate," says Mr Tilghman.

During the 1980s, the company decided to get rid of its peripheral businesses, concentrating on chemicals. In the process Quantum slimmed down from its 15,000 employees at the end of the 1970s to about 11,000 today.

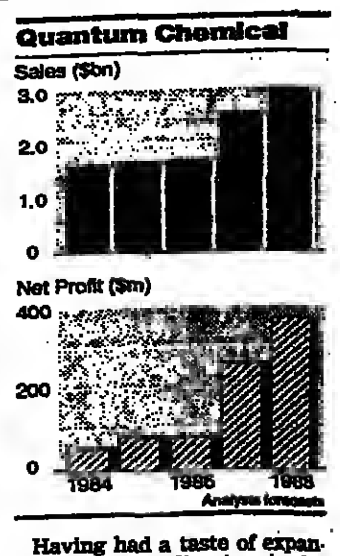
The culmination came in 1987 when Quantum sold its wine and liquors business for \$684m, more than enough to pay for the Enron purchase.

"We *sold* our birthright," says Mr Tilghman as he shows his visitor the bar in Quantum's New York headquarters that still dispenses the company's original brands of Bourbon and which is the only reminder of Quantum's former interests in this area.

What of the future? Mr Tilghman says prospects for polyethylene are likely to remain good for at least the next two years, ensuring that the company's recent return to health is sustained.

Quantum is feeling bullish enough to have announced a \$350m venture in Deer Park, Texas, to build a new plant to produce 1.5bn lbs a year of ethylene, the main feedstock for polyethylene. This will add to the 2.3bn lbs a year of ethylene it already makes and may reduce the amount that Quantum needs to buy from *other* chemicals producers such as Arco, Amoco and Shell.

Quantum is unusual for a US company of its size in that virtually all its sales are domestic, with only a small amount in *other places*, chiefly Canada and Mexico. The position is unlikely to change much in the short term, says Mr Tilghman.



Having had a taste of expansion and globalisation in its days as a 1970s conglomerate, the company is, he believes, hardly likely to repeat the process in the near future. "For the time being we are sticking to what we know," says Mr Tilghman.

Wyse Technology cuts workforce by 15%

By Louise Kehoe in San Francisco

WYSE TECHNOLOGY, the US personal computer and computer terminal manufacturer, yesterday announced a 15 per *cent cut in its workforce and* said its president had resigned. The company also said it expected lower sales for the third quarter ended December 30 and losses for the nine-month period.

Mr Phillip White, Wyse president and chief operating officer since May 1986, has resigned to join Informix, a software company, as chief executive, effective immediately, Wyse said.

The workforce reduction involves approximately 560 jobs. About 400 people will be laid off at the company's Far East manufacturing operations, with layoffs and attrition throughout the company accounting for the remainder.

Wyse said it expected net revenues of between \$60m and \$70m for the third quarter and a loss for the nine-month period. First-half revenues *totalled* \$281.5m *and* net income \$11.7m.

Wyse attributes its problems primarily to component shortages, which forced the company to raise prices early in 1988, a move that reduced sales. Despite price reductions in August and again in December, Wyse's sales volume remained below expectations, the company said.

Wyse's problems have been compounded by reduced orders *from its distributors and retailers* who, the company said earlier this month, have excess inventories. Difficulties in obtaining key components for use in computer terminals and monitors have also limited sales of these products, which together represent about 60 per cent of Wyse's revenues.

Elsevier sells Misset

By David Brown in Amsterdam

ELSEVIER, the Dutch publishing company which last year forged a strategic alliance with Pearson, the UK conglom*erate which owns the* Financial Times, has sold its graphics subsidiary to management for an unspecified sum.

The unit, Misset Grafische Bedrijven, has annual sales of Fl 70m (\$34.7m) and a workforce of 420. Misset will join forces with Henkes Senefelder, another printing company which left the Elsevier group in a 1985 management buy-out, to form a group with combined annual sales of about Fl 150m and a staff of 720.

Excluding its in-house printing, the disposal marks a virtual completion of Elsevier's strategic withdrawal from the graphics sector. At the end of 1984, it owned seven printing companies which then had combined sales of Fl 180m. In mid-1987 Van Boekhoven-Bosch, Elaavier's biggest graphics operation with annual turnover of Fl 110m, was sold.

With tha Misset disposal, Elsevier will he left with a small printer, Krips Repro.

Texaco Canada reshuffle

By Robert Gibbens *in Montreal*

TEXACO Canada has set up a new company to take over most of its domestic and foreign exploration and some domestic production assets. Its shares will be distributed one-for-one to Texaco Canada shareholders.

The shares will be treated as an extraordinary dividend in the hands of Texaco Canada shareholders.

Afterwards, its parent, Texaco of the US, will hold a 78 per cent interest in the old Texaco Canada and the new exploration company.

Texaco Canada's properties are worth nearly C\$100m (US\$84m) and the company will have C\$65m in cash and securities to back day-to-day operations.

Perrons may seek buyer

By Robert Gibbens *in Montreal*

CONTROL of Normick Perron, Eastern Canada's largest lumber producer, looks set to change hands.

Michel and Jean Perron, the brothers who own 42 per cent of the company, which has operations in northwestern Quebec, say the future of the company lies with a large pulp and paper group.

For several years, the Perrons have tried to expand their existing newsprint interest, but without success. Financing has been a problem because of the extraordinary swings in North American lumber prices.

They have moved heavily into panelboard in partnership with European interests, but prices have dropped drastically with lower North American housing starts.

Tessenderlo in acquisition

By Tim Dickson in Brussels

TESSENDERLO Chemie, one of Belgium's bigger chemical companies, has reached agreement to take over the activities of Farchemia, an Italian business based at Treviglio, near Milan.

No price for the deal was disclosed, but Tessenderlo said its new acquisition made materials for the pharmaceutical industry, employed 135 people and had a turnover of BFr1.3bn (\$34.7m).

Tessenderlo Chemie is roughly 60 per cent owned by Entreprise Minière Chimique of France.

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Manufacturers Hanover Trust Company Sucursal en España Credit Suisse Fuji Bank (Schweiz) AG The Industrial Bank of Japan (Switzerland) Limited The Mitsui Bank, Limited Sucursal en España The Bank of Tokyo, Ltd. Sucursal en España The Sumitomo Bank, Limited Sucursal en España Swiss Cantobank (International) Banco Santander Banco Bilbao Vizcaya, S.A. Banco di Roma Sucursal en España Banco Exterior de España Caixa d'Estalvis de Catalunya Caja de Ahorros de Bilbao (Bilbao Savings Bank) Caja de Ahorros de Galicia (Caixa Galicia) Caja de Madrid The Long-Term Credit Bank of Japan (Schweiz) AG Mitsubishi Bank (Switzerland) Ltd. Banco Central, S.A. Banco Gallego, S.A. Banco Herrero S.A. Caja de Ahorros de Jerez Caja de Ahorros Municipal de Burgos Caja de Ahorros Provincial de Alicante Caja de Ahorros y Monte de Piedad de Salamanca BIL Banque Internationale à Luxembourg (Suisse) S.A. Banco de Valencia, S.A. Bank for Foreign Economic Affairs of the USSR Zurich Branch Caja de Ahorros y Monte de Piedad de Leon (Cajaleon) Confederacion Española de Cajas de Ahorros (C.E.C.A.) Foreign Commerce Bank (FOCOBANK) Arab Bank (Switzerland) Ltd. Caja de Ahorros y Monte de Piedad de Ontinyent

Agent Bank
Manufacturers Hanover Limited

November, 1988

The Investment Banking Group

هكذا من الأصل

Group Precious Metal Mining Companies' Reports for the quarter ended 31 December 1988

All companies are incorporated in the Republic of South Africa

Driefontein Consolidated

Driefontein Consolidated Limited
(Registration No. 68/04880/06)

ISSUED CAPITAL: 204 000 000 shares of 50 cents each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
OPERATING RESULTS			
Gold – East Driefontein			
Ore milled (t)	720 000	730 000	1 450 000
Gold produced (kg)	8 130,1	8 249,0	16 379,1
Yield (g/t)	11,3	11,3	11,3
Price received (R/kg)	32 593	34 147	33 375
Revenue (R/t milled)	368,66	386,51	377,64
Cost (R/t milled)	115,33	115,71	115,52
Profit (R/t milled)	253,33	270,80	262,12
Revenue (R000)	265 438	282 151	547 589
Cost (R000)	83 042	84 466	167 508
Profit (R000)	182 396	197 685	380 081
Gold – West Driefontein			
Ore milled (t)	705 000	688 000	1 393 000
Gold produced (kg)	6 917,2	6 735,5	13 652,7
Yield (g/t)	9,8	9,8	9,8
Price received (R/kg)	32 431	34 058	33 234
Revenue (R/t milled)	318,84	333,86	326,26
Cost (R/t milled)	138,45	143,81	141,10
Profit (R/t milled)	180,39	190,05	185,16
Revenue (R000)	224 779	229 698	454 477
Cost (R000)	97 607	98 945	196 552
Profit (R000)	127 172	130 753	257 925
FINANCIAL RESULTS (R000)			
Working profit: Gold	309 568	328 438	638 006
(Loss)/Profit on sale of Uranium Oxide and Sulphuric Acid	(512)	80	(432)
Net mining revenue	309 056	328 518	637 574
Recovery under loss of profits insurance	—	720	720
Net sundry revenue (group)	18 529	23 053	41 582
Profit before tax and State's share of profit	327 585	352 291	679 876
Tax and State's share of profit	178 452	210 936	389 388
Profit after tax and State's share of profit	149 133	141 355	290 488
Capital expenditure	60 867	39 567	100 434
Dividend	163 200	—	163 200

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1988 was R641,8 million.

DIVIDEND. A dividend (No. 31) of 80 cents per share was declared on 13 December 1988, payable to members on or about 8 February 1989.

SHAFTS

East Driefontein

No. 5 Sub-Vertical Shaft-E. The shaft was sunk 81 metres to a depth of 1 232 metres below the collar on 22 Level. 46 Level station was completed.

No. 1 Tertiary Shaft-E. Sloping of the headgear portion is still in progress. Construction work has commenced in the winder chambers.

West Driefontein

No. 9 Sub-Vertical Shaft-W. The development of the station layouts on 22 and 23 Levels as well as the cutting of the rope race on 21 Level continues.

On behalf of the board

A. J. Wright
C. T. Fenton } *Directors*

5 January 1989

Vlakfontein

Vlakfontein Gold Mining Company Limited
(Registration No. 05/06155/06)

ISSUED CAPITAL: 6 800 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
OPERATING RESULTS			
Gold – Droogebult			
Ore milled (t)	40 719	36 669	77 388
Gold produced (kg)	108,3	111,5	219,8
Yield (g/t)	2,7	3,0	2,8
Price received (R/kg)	32 347	33 653	33 000
Revenue (R/t milled)	86,32	102,62	94,05
Cost (R/t milled)	82,10	83,15	82,60
Profit (R/t milled)	4,22	19,47	11,45
Revenue (R000)	3 515	3 763	7 278
Cost (R000)	3 343	3 049	6 392
Profit (R000)	172	714	886
Gold – Surface sources			
Ore milled:			
from surface dumps (t)	86 602	88 956	175 558
from outside sources (t)	82 679	84 375	167 054
Total milled (t)	169 281	173 331	342 612
Gold produced (kg)	178,5	175,4	353,9
Yield (g/t)	1,1	1,0	1,0
Price received (R/kg)	32 347	33 653	33 000
Revenue (R/t milled)	34,16	34,09	34,13
Cost (R/t milled)	30,70	32,55	31,64
Profit (R/t milled)	3,46	1,54	2,49
Revenue (R000)	5 783	5 909	11 692
Cost (R000)	5 197	5 642	10 839
Profit (R000)	586	267	853
FINANCIAL RESULTS (R000)			
Working profit: Gold	758	981	1 739
Net sundry revenue	210	217	427
Profit before tax	968	1 198	2 166
Tax:			
Formula tax	238	186	424
Non-mining tax	(2)	2	—
Profit after tax	732	1 010	1 742
Capital expenditure	517	493	1 010

CAPITAL EXPENDITURE

(a) The unexpended balance of authorised capital expenditure at 31 December 1988, was R1,4 million.

(b) The expenditure for the quarter ended 31 December 1988 relates mainly to Droogebult.

DIVIDEND. The interim dividend was passed. A final dividend will be considered in the light of circumstances prevailing at that time.

On behalf of the board

A. J. Wright
G. P. Alvey } *Directors*

5 January 1989

Libanon

Libanon Gold Mining Company Limited
(Registration No. 05/08581/06)

ISSUED CAPITAL: 40 000 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	435 000	435 000	870 000
Gold produced (kg)	1 827,0	1 827,0	3 654,0
Yield (g/t)	4,2	4,2	4,2
Price received (R/kg)	32 310	34 075	33 192
Revenue (R/t milled)	135,99	143,31	139,65
Cost (R/t milled)	117,13	111,49	114,31
Profit (R/t milled)	18,86	31,82	25,34
Revenue (R000)	59 157	62 339	121 496
Cost (R000)	50 952	48 497	99 449
Profit (R000)	8 205	13 842	22 047
FINANCIAL RESULTS (R000)			
Working profit: Gold	8 205	13 842	22 047
Net sundry revenue	1 923	1 572	3 495
Profit before tax and State's share of profit	10 128	15 414	25 542
Tax and State's share of profit	(1 077)	3 737	2 660
Profit after tax and State's share of profit	11 205	11 677	22 882
Capital expenditure	7 066	6 044	13 110
Dividend	8 000	—	8 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1988 was R107,1 million.

DIVIDEND. A dividend (No. 76) of 20 cents per share was declared on 13 December 1988, payable to members on or about 8 February 1989.

On behalf of the board

A. J. Wright
C. T. Fenton } *Directors*

5 January 1989

Kloof

Kloof Gold Mining Company Limited
(Registration No. 64/04462/06)

ISSUED CAPITAL: 121 100 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	540 000	540 000	1 080 000
Gold produced (kg)	7 242,0	7 235,5	14 477,5
Yield (g/t)	13,4	13,4	13,4
Price received (R/kg)	32 246	33 968	33 107
Revenue (R/t milled)	433,34	455,92	444,63
Cost (R/t milled)	163,26	157,71	160,48
Profit (R/t milled)	270,08	298,21	284,15
Revenue (R000)	234 006	246 197	480 203
Cost (R000)	88 161	85 163	173 324
Profit (R000)	145 845	161 034	306 879
FINANCIAL RESULTS (R000)			
Working profit: Gold	145 845	161 034	306 879
Net sundry revenue	5 565	6 849	12 414
Profit before tax and State's share of profit	151 410	167 883	319 293
Tax and State's share of profit	22 135	42 048	64 183
Profit after tax and State's share of profit	129 275	125 835	255 110
Capital expenditure	101 942	90 501	192 443
Dividend	72 660	—	72 660
Issue of debentures	—	16 350	16 350

CAPITAL EXPENDITURE.

(a) The unexpended balance of authorised capital expenditure at 31 December 1988 was R847,4 million.

(b) Included in the total of capital expenditure for the quarter ended 31 December 1988 is an amount of R74,8 million in respect of Leeudoorn.

DIVIDEND. A dividend (No. 38) of 60 cents per share was declared on 13 December 1988, payable to members on or about 8 February 1989.

DEBENTURES. A further call of R7 per debenture was made on the holders of the partly paid unsecured convertible debentures and was due on 1 January 1989.

SHAFTS

Kloof

No. 4 Sub-Vertical Shaft-K. Pre-sinking operations and equipping of the headgear are complete. The man winder and the stage winder are currently being commissioned.

Leeudoorn

No. 1 Shaft-L. The shaft was sunk 20 metres to a depth of 1 885 metres below collar. 24 Level station has been established and the development of the belt level is in progress.

No. 1 Sub-Vertical Shaft-L. Sliping of the headgear portion of the shaft was completed at a depth of 98 metres. The shaft has been sunk to a depth of 19 metres below the collar on 23 Level. Excavation of the hoist chambers is in progress.

On behalf of the board

C. T. Fenton
A. J. Wright } *Directors*

5 January 1989

Venterspost

Venterspost Gold Mining Company Limited
(Registration No. 05/05632/06)

ISSUED CAPITAL: 20 200 000 ordinary shares of 25 cents each, fully paid.
4 800 000 deferred ordinary shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	405 000	810 000
Gold produced (kg)	1 451,3	1 498,5	2 949,8
Yield (g/t)	3,6	3,7	3,6
Price received (R/kg)	32 295	34 336	33 332
Revenue (R/t milled)	115,92	127,29	121,61
Cost (R/t milled)	111,49	110,03	110,76
Profit (R/t milled)	4,43	17,26	10,85
Revenue (R000)	46 951	51 555	98 506
Cost (R000)	45 155	44 563	89 718
Profit (R000)	1 796	6 992	8 788
FINANCIAL RESULTS (R000)			
Working profit: Gold	1 796	6 992	8 788
Net sundry revenue	1 593	1 432	3 025
Profit before tax	3 389	8 424	11 813
Tax	(1 540)	2 941	1 401
Profit after tax	4 929	5 483	10 412
Capital expenditure	30 200	1 242	31 442
Dividend	5 050	—	5 050

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1988 was R126,1 million. This quarter's expenditure includes the cost of the mineral rights and precious metals claims purchased.

DIVIDEND. A dividend (No. 97) of 25 cents per share was declared on 13 December 1988, payable to members on or about 6 February 1989.

SHARE CAPITAL. At a general meeting of members held on 14 October 1988, the authorised capital was increased from R6 250 000 divided into 25 000 000 ordinary shares of 25 cents each, to R16 250 000 by the creation of 40 000 000 deferred ordinary shares of 25 cents each, of which 4 800 000 were allotted to the vendors in respect of the acquisition of the mineral rights and precious metals claims extending over the area of 2 446 hectares adjacent to the mine's eastern boundary.

No. 4 SHAFT. Surface consolidation at the site of the shaft was carried out and the construction of the shaft terrace was completed. Foundations for the workshops have been cast and work has commenced on the platform winder foundations.

On behalf of the board

A. J. Wright
C. T. Fenton } *Directors*

5 January 1989

Doornfontein

Doornfontein Gold Mining Company Limited
(Registration No. 05/24709/06)

ISSUED CAPITAL: 40 000 000 shares of 25 cents each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	366 000	366 000	732 000
Gold produced (kg)	1 927,6	1 747,1	3 674,7
Yield (g/t)	5,3	4,8	5,0
Price received (R/kg)	32 304	33 995	33 108
Revenue (R/t milled)	170,42	162,33	166,47
Cost (R/t milled)	152,54	149,67	151,10
Profit (R/t milled)	17,88	12,66	15,37
Revenue (R000)	62 372	59 487	121 859
Cost (R000)	55 829	54 779	110 608
Profit (R000)	6 543	4 708	11 251
FINANCIAL RESULTS (R000)			
Working profit: Gold	6 543	4 708	11 251
Net sundry revenue	1 670	1 559	3 229
Profit before tax and State's share of profit	8 213	6 267	14 480
Tax and State's share of profit	956	786	1 742
Profit after tax and State's share of profit	7 257	5 481	12 738
Capital expenditure	6 164	6 427	12 591
Dividend	4 000	—	4 000

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1988 was R96,1 million.

DIVIDEND. A dividend (No. 64) of 10 cents per share was declared on 13 December 1988, payable to members on or about 8 February 1989.

On behalf of the board

A. J. Wright
C. T. Fenton } *Directors*

5 January 1989

Northam

Northam Platinum Limited
(Registration No. 77/05282/06)

ISSUED CAPITAL: 28 800 000 shares of 1 cent each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
Pre-production Mine Development Expenditure (R000)			
Capital expenditure	39 367	31 196	70 563
Net income after tax	3 838	2 023	5 861
	35 529	29 173	64 702

All income and expenditure has been capitalised as pre-production mine development expenditure.

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1988 was R457,1 million.

SHAFTS

Zondereinde

No. 1 Shaft-Z. The shaft was sunk 210 metres to a depth of 1 487 metres below collar. The excavation of 4 Level station started but blasting operations ceased from 18 November until 28 December when water was intersected close to the shaft.

No. 2 Shaft-Z. The shaft was sunk 124 metres to a depth of 1 611 metres below collar. The station on 5 Level was excavated and lined and excavation of 6 Level station is in progress. Blasting was suspended from 7 December until 20 December while shaft station cover holes were drilled and injected.

On behalf of the board

A. J. Wright
C. T. Fenton } *Directors*

5 January 1989

Deelkraal

Deelkraal Gold Mining Company Limited
(Registration No. 74/00160/06)

ISSUED CAPITAL: 99 540 000 shares of 20 cents each, fully paid.

	Quarter ended 31 Dec. 1988	Quarter ended 30 Sept. 1988	Six months ended 31 Dec. 1988
OPERATING RESULTS			
Gold			
Ore milled (t)	405 000	405 000	810 000
Gold produced (kg)	2 632,5	2 430,0	5 062,5
Yield (g/t)	6,5	6,0	6,3
Price received (R/kg)	32 629	34 048	33 310
Revenue (R/t milled)	212,49	204,63	208,56
Cost (R/t milled)	99,45	99,20	99,32
Profit (R/t milled)	113,04	105,43	109,24
Revenue (R000)	86 059	82 875	168 934
Cost (R000)	40 276	40 176	80 452
Profit (R000)	45 783	42 699	88 482
FINANCIAL RESULTS (R000)			
Working profit: Gold	45 783	42 699	88 482
Net sundry revenue	3 443	3 148	6 591
Profit before tax and State's share of profit	49 226	45 847	95 073
Tax and State's share of profit	4 377	2 962	7 339
Profit after tax and State's share of profit	44 849	42 885	87 734
Capital expenditure	20 830	13 986	34 816
Dividend	29 862	—	29 862

CAPITAL EXPENDITURE. The unexpended balance of authorised capital expenditure at 31 December 1988 was R200,4 million.

DIVIDEND. A dividend (No. 12) of 30 cents per share was declared on 13 December 1988, payable to members on or about 8 February 1989.

No. 3 SHAFT

Full scale sinking operations have commenced and the shaft has been sunk to a depth of 151 metres below collar.

On behalf of the board

A. J. Wright
C. T. Fenton } *Directors*

5 January 1989

GOLD FIELDS OF SOUTH AFRICA LIMITED

Note:
Copies may be obtained from the United Kingdom Registrars:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London, SW1P 1PL.

BankAmerica Corporation

(Incorporated in the State of Delaware)

U.S. $400,000,000

Floating Rate Subordinated Capital Notes Due 1997

Holders of Notes of the above issue are hereby notified that for the next Interest Sub-period from 9th January, 1989 to 9th February, 1989 the following will apply:

1. Interest Payment Date: 7th March, 1989
2. Rate of Interest for Sub-period: 9⅞% per annum
3. Interest Amount payable for Sub-period: US $409.03 per US$ 50,000 nominal
4. Accumulated Interest Amount payable: US $844.45 per US$ 50,000 nominal
5. Next Interest Sub-period will be from 9th February, 1989 to 7th March, 1989.

Agent Bank

Bank of America International Limited

NEVI

A/S NEVI

DKK 600,000,000 Floating Rate Notes due 1993

Tranche A of DKK 300,000,000

In accordance with the provisions of the Notes, notice is hereby given that, for the three months period, 6th January, 1989 to 6th April, 1989, the Notes will bear interest at the rate of 8.125 per cent. per annum. Coupon No. 10 will therefore be payable on 6th April, 1989 at DKK2031.25 per coupon for Notes of DKK 100,000 nominal.

Agent Bank

KANSALLIS-OSAKE-PANKKI

London Branch

CORRECTION NOTICE

MITSUI & CO. FINANCIAL SERVICES (AUSTRALIA) LTD.

A$50,000,000

Guaranteed Floating Rate Notes Due 1992

Unconditionally guaranteed by

MITSUI & CO. (AUSTRALIA) LIMITED

Notice is hereby given that the Rate of Interest has been fixed at 14.868% p.a. and that the interest payable on the relevant Interest Payment Date, March 29, 1989 against Coupon No. 6 in respect of A$10,000 nominal of the Notes will be A$366.61.

December 30, 1988, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

£200,000,000

ABBEY NATIONAL BUILDING SOCIETY

(Incorporated in England under the Building Societies Act 1874)

Floating Rate Notes 1993

In accordance with the provisions of the Notes, notice is hereby given, that for the three month Interest Period from January 5, 1989 to April 5, 1989 the Notes will carry an Interest Rate of 13.35% per annum. The interest payable on the relevant interest payment date, April 5, 1989 will be £329.18 per £10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

January 6, 1989

CHASE

Brasilvest S.A.

Net asset value as of 30th December, 1988

per CZ Share: 999.14

per Depositary Share: US$12,188.22

per Depositary Share: (Second Series) US$11,445.49

per Depositary Share: (Third Series) US$9,740.25

per Depositary Share: (Fourth Series) US$9,099.46

US $100,000,000

TNT

TNT Limited

Subordinated Floating Rate Notes Due 1996

Credit Suisse First Boston Limited
Agent Bank

NOTICE OF REDEMPTION

To the Holders of

U.S. $100,000,000

Floating Rate Participation Certificates Due 1992

issued by JP Morgan GmbH (formerly Morgan Guaranty GmbH) for the purpose of making a loan to

ISVEIMER

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Paying Agency Agreement and the Terms and Conditions of the Certificates, Morgan Guaranty Trust Company of New York, as Principal Paying Agent, has selected $14,280,000 principal amount of said Certificates for redemption on January 31, 1989 at the redemption price of 100% of the principal amount thereof. The Certificates so selected are those bearing the serial numbers as follows:

OUTSTANDING CERTIFICATES WITH SERIAL NUMBERS ENDING WITH ANY OF THE FOLLOWING TWO DIGITS

15 17 28 30 40 41 42 50 56 66 67 80 83 85

ALL OUTSTANDING CERTIFICATES WITH THE FOLLOWING SERIAL NUMBERS

254 654 1154 1254 1354 1954 2354 2554 3154 3554 3654 3954 4054 4154 4654 4754 5154 5754 5954 6554 6654 6954 7654 7454 7554 8554 9534 9854

On January 31, 1989, the Certificates designated above will become due and payable at the redemption price as aforesaid in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein, and will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the Corporate Trust Department of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N.Y. 10015, or (b) subject to applicable laws and regulations, at the main office of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main or London, or the main office of Swiss Bank Corporation in Switzerland, or the main office of Banque Internationale à Luxembourg in Luxembourg. Payments at the office of any paying agent outside of the United States will be made by cheque drawn on, or transfer to a United States dollar account with, a bank in New York City. Any payment made within the United States or transferred to an account maintained by a non-U.S. payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person. Payments to non-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the Paying Agent an executed IRS Form W-9 certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of $50.

Coupons due January 1989 should be detached and collected in the usual manner.

From and after January 31, 1989, interest shall cease to accrue on the Certificates herein designated for redemption.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Principal Paying Agent

Dated: 6 January 1989

INTERNATIONAL COMPANIES AND FINANCE

GFSA mines end year on weak note

By Jim Jones in Johannesburg

HIGHER AVERAGE recovery grades and tight control of operating costs were of little overall benefit during the final quarter of 1988 to the seven gold mines managed by Gold Fields of South Africa (GFSA), the local associate of the UK's Consolidated Gold Fields.

A lower average rand gold price clipped mine revenues and, if current prices persist, management forecasts a further profit decline in the present quarter. The mines received an average of R32,425 a kilogram against the September quarter's R34,067/kg, and total revenue from gold sales dropped to R988m ($415.4m) from R1.02bn.

Gold is trading at a price equivalent to R31,300/kg and Mr Alan Wright, a director of GFSA, warns that at the present level some of the group's marginal mines could slip into losses.

GFSA GOLD QUARTERLIES

	Gold produced (kg) Dec 88	Sep 88	After-tax profit (Rm) Dec 88	Sep 88	Earnings per share (cents) Dec 88	Sep 88
Deelkraal	2,633	2,430	44.8	42.9	24.1	29.0
Doornfontein	1,928	1,747	7.3	5.5	2.7	(2.4)
Drie Cons	15,047	14,985	149.1	141.4	43.3	49.8
Kloof	7,242	7,236	129.3	125.8	22.6	29.2
Libanon	1,827	1,827	11.2	11.7	10.3	14.1
Venterspost	1,451	1,499	4.9	5.5	(18.2)	21.0
Vlakfontein	287	287	0.7	1.0	3.2	7.8

Earnings per share calculated after tax and capital expenditure.

Driefontein Consolidated, the largest of GFSA's mines, returned to normal production after the disruption of a fire in the September quarter. This lifted production and helped cut total operating costs, which had been boosted by employee holiday benefits. Mr Wright expects operating costs will rise in line with inflation this year.

Kloof, the second largest, has settled down to a gold recovery grade of 13.4 grams per tonne (g/t) and is likely to continue at this level, Mr Wright says. Shaft sinking at the new Leeudoorn section has fallen behind schedule, but limited production is expected in the first quarter of 1990.

Libanon and Venterspost both suffered sharply lower profits and Venterspost is in danger of falling into the red at current rand gold prices. Venterspost is embarking on a capital programme to establish a new mining area beyond its eastern boundary and is to announce a rights issue of deferred ordinary shares to finance the expansion within the next few weeks.

Deelkraal, the newest of the group's mines, lifted its gold recovery to 6.5 g/t from 6 g/t, though Mr Wright warns the grade is likely to slip back during the next quarter or two. Doornfontein, too, raised its grade to 5.3 g/t from 4.8 g/t, but mining is now confined to the extraction of ore remnants. Steady operations will resume only in the middle of next year when stopes are established in the new southern section of the property.

Bankers Trust buys French broking stake

By George Graham in Paris

BANKERS TRUST, the US investment bank, has agreed to take a 49 per cent stake in Didier Philippe, a French stockbroker.

The US bank follows a number of French and foreign financial institutions which have recently reached agreements with French brokers. Most main firms had already signed deals in 1987 and early 1988, soon after the law changed to permit brokers to open their capital to outside investors, but a second wave of agreements has been announced over the last few weeks.

Philippe, in which Mr Didier Philippe and the rest of the firm's management will retain the majority, is a relatively small company but with a recognised position in the equity market, especially in block trading.

In 1987, Philippe recorded net profits of FFr15m ($2.46m) on turnover of FFr124m. The company said that in 1988 it was also substantially profitable.

Bankers Trust is already active in French financial markets, where it has a seat on the Matif financial futures market and is a corresponding dealer in Treasury debt, with the prospect of being named a full primary dealer this year.

The wave of recent purchases – including a FFr200m-plus deal last month between National Westminster Bank of the UK and the broker Sellier, a stake taken by Nomura of Japan in Francois-Dufour-Kervern and the entry of Banque Louis Dreyfus into Auboyneau-Labouret-Ollivier – has contrasted with the mass sackings experienced recently at London brokers.

French rules on market-making have not yet been elaborated, so companies have not been fully exposed in this area. Broking activity, meanwhile, has recovered substantially in the second half of the year, and equity turnover for the first 11 months averaged FFr1.64bn per trading day – down 23 per cent from the previous year, but still viewed as a good level of business.

The CAC general market index also rose 48 per cent over the course of the year, allowing healthy profits on many brokers' accounts.

Surge in bank lending to Soviet Union

By Norma Cohen

INTERNATIONAL BANKS in the 16 countries that report to the Bank for International Settlements sharply increased their lending to the Soviet Union in the first half of 1988, mostly in the form of short-term credits, according to figures published today by the BIS.

After taking account of exchange rate movements, lending to the Soviet Union rose by $4bn, accounting for most of the increase in lending to Eastern Europe. Overall, claims on the region rose by $5bn, which includes a drop in loans to Poland of $300m.

Claims on Latin America continued to shrink. After taking account of exchange rate movements, claims fell by $5.7bn in the first half of 1988 after a $6.7bn drop in the last six months of 1987.

Among the largest declines were loans to Mexico, which fell by $2.7bn. Much of that reflects the effects of equity conversions or discounted repayments of non-bank private-sector loans which had been due for transference to the public sector.

Claims on Brazil fell by $2.2bn in the first half of 1988 after a drop of $1.8bn in the last half of 1987.

In Asia, claims on Taiwan fell by $3.3bn. The BIS said that about 75 per cent of the drop reflected the unwinding by Taiwanese banks of short-term foreign currency liabilities. These had been built up during the second half of 1987 in expectation of an appreciation of the local currency.

In the last six months of 1987, claims on Taiwan had risen by $5bn.

Amsterdam SE dilutes anti-takeover proposals

By David Brown in Amsterdam

THE AMSTERDAM Stock Exchange yesterday tabled a new, watered-down proposal to regulate the scope of anti-takeover mechanisms for companies to be listed on the bourse in the future.

The long-awaited revised plan has been widely viewed as a victory for the VVDE, an association of listed companies specially formed last summer to preserve the status quo. It falls well short of more far-reaching and controversial limitations aimed at the defence mechanisms of all listed companies in a plan that was originally tabled by the Stock Exchange last spring.

Under the new plan, companies now listed on the exchange, including all major Dutch multinationals, will be exempt from any changes for at least three years, by which time it is hoped EC-wide directives will have been agreed.

For companies coming to the bourse, the proposal will limit to two the number of allowable permanent anti-takeover mechanisms.

A ceiling of 50 per cent on the total share capital that may be issued in the form of vote-strong preference shares has also been suggested.

The outline agreement, which was unveiled at a joint VVDE-Stock Exchange presentation but which has not yet been published, must still go through a formal process of approval by the Finance Ministry and the listed companies themselves. This process may take up to six months and the new restrictions will therefore not apply to the newly-privatised DSM chemicals group, which is to go public next month.

Among the Netherlands' notoriously protective defence mechanisms – beyond articles of incorporation – are management-friendly foundations, share certificates and other voting limitations on shareholders.

Bank Negara rescues ailing Oriental Bank

By Wong Sulong in Kuala Lumpur

BANK NEGARA, the Malaysian central bank, has taken control of the local Oriental Bank following substantial losses.

It is the fifth commercial bank to be rescued from collapse by the Malaysian authorities during the past four years. The Malaysian Police Co-operative Society owns 52 per cent of the bank, with Banque Nationale de Paris holding 22.5 per cent and Pengkalan Holdings 20 per cent.

Tan Sri Jaffar Hussein, Bank Negara governor, said yesterday the action was taken to maintain public confidence and to restructure the bank's capital, "which had been eroded significantly by losses" during the past two years.

The statement did not specify the losses, but bankers say Oriental Bank's losses during 1986 and 1987 amounted to between 100m ringgit (US$36.9m) and 200m ringgit due to bad debts and fraud.

Bank Negara is expected to inject fresh capital into Oriental Bank. Its last audited balance sheet showed that it had a paid-up capital of 45m ringgit, assets of 978m ringgit and deposits of 777m ringgit at the end of 1985. It also reported a pre-tax profit of 130,000 ringgit.

In another statement, Bank Negara confirmed the central bank had lost 22.2m ringgit in a swindle last August.

The fraud took place when the Post Office Savings Bank unsuccessfully applied for the purchase of government securities. The money was transferred into another account instead of being returned. Police say at least four people, including a lawyer and a former Bank Negara employee, are believed to be involved.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-24	-8/32	10.69	10.75	10.87
		8.750	9/97	91-22	-7/32	10.22	10.19	10.11
		9.000	10/08	95-25	-4/32	9.54	9.25	9.19
US TREASURY*		8.875	11/98	97-16	-8/32	9.27	9.16	9.05
		9.000	11/18	99-09	-4/32	9.10	9.00	8.92
JAPAN	No 105	5.000	12/97	98.7693	-0.095	4.79	4.77	4.65
	No 2	5.700	3/07	109.0833	+0.211	4.77	4.77	4.71
GERMANY		6.750	8/98	100.8500	+0.075	6.65	6.60	6.47
FRANCE	BTAN	8.000	10/93	97.9758	-0.037	8.54	8.60	8.54
	OAT	9.500	5/98	106.2800	-0.085	8.54	8.70	8.71
CANADA*		10.250	12/98	98.7500	-0.250	10.29	10.17	10.05
NETHERLANDS		6.750	10/98	100.9750	+0.100	6.66	6.61	6.57
AUSTRALIA		12.500	1/98	97.9502	+0.469	12.88	12.87	12.46

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Sandoz clarifies rules on share registering

By William Dullforce in Geneva

SANDOZ, the Swiss chemicals group, has told the Swiss Bankers' Association that it may refuse requests from a bank to register Sandoz shares bought on behalf of clients.

Refusal could occur if the bank had not subscribed to the gentleman's agreement on share ownership between the banks and companies or if in Sandoz's view it had consistently abused the agreement.

Sandoz's clarification was made at the end of November after Nestlé stunned the Swiss stock market by announcing that it would allow foreigners to buy its registered shares.

The chemicals group was responding to a request from the Bankers' Association that it clarify modifications to its statutes effected in May. These limited to 2 per cent the maximum stake in its registered share capital that could be held by a single shareholder and maintained Sandoz's rejection of foreign ownership of its registered stock.

Under the gentleman's agreement, the banks undertake to control the identity of customers for whom they have bought shares and request that they be registered by a company.

A bank would now have to check that the client did not hold more than 2 per cent of Sandoz registered stock.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value	Unem-ployed	Vacs.
1987 4th qtr.	108.5	108.7	29.1	133.3	218.8	2,666	262.1
1988 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November						[illegible]	[illegible]

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consumer goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1987 3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1987 3rd qtr.	109.2	119.5	-3,201	-1,204	+588	97.9	34.81
4th qtr.	111.9	129.8	-3,369	-1,968	+1,075	97.8	44.33
1988 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December							[illegible]

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmr. credit* £m	Base rate %
1987 3rd qtr.	5.9	20.5	19.7	+11,449	1,211	+574	10.00
4th qtr.	4.3	20.8	22.9	+11,292	3,067	+946	9.00
1988 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		13.00
December							13.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 = 100); trade weighted value of sterling (1975=100)

	Earn-ings*	Basic matls*	Whsale. mnfg*	RPI*	Foods*	Reuters* cmdty.	Sterling
1987 3rd qtr.	117.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1988 1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December						[illegible]	[illegible]

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

U.S. $100,000,000

BIL

Brierley Investments Overseas N.V.

(incorporated with limited liability in the Netherlands Antilles)

Floating Rate Notes Due 1992

all unconditionally and irrevocably guaranteed by

Brierley Investments Limited

(incorporated with limited liability in New Zealand)

In accordance with the terms and conditions of the Notes, notice is hereby given, that for the interest period from January 6, 1989 to April 6, 1989 the Notes will carry an interest rate of 9.575% per annum. The amount payable on April 6, 1989 will be U.S. $239.37 per U.S. $10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

January 6, 1989

CHASE

Standard Chartered

Standard Chartered PLC

(Incorporated with limited liability in England)

US$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 6th January, 1989, to 6th February, 1989, the Notes will carry interest at the rate of 9¹¹⁄₁₆ per cent per annum.

Interest accrued to 6th February, 1989 and payable on 6th July, 1989 will amount to US$83.42 per US$10,000 Note and US$834.20 per US$100,000 Note.

Standard Chartered Merchant Bank Limited
Agent Bank

Standard Chartered

Standard Chartered PLC

(Incorporated with limited liability in England)

US$300,000,000 Undated Primary Capital Floating Rate Notes (Series 4) (of which US$200,000,000 has been issued as the Initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the six month period (181 days) from 6th January, 1989, to 6th July, 1989, the Notes will carry interest at the rate of 9.7125 per cent per annum. Interest payable on 6th July, 1989 will amount to US$488-32 per US$10,000 Note and US$4,883-23 per US$100,000 Note.

Standard Chartered Merchant Bank Limited
Agent Bank

INTERNATIONAL CAPITAL MARKETS

Alberta sets record with C$650m five-year issue

By Norma Cohen

THE combination of attractive swap rates and Continental demand for high-coupon currencies has spawned yet another round of Eurobonds denominated in high-coupon currencies, despite the conventional wisdom that investor appetite for fresh paper is just about sated.

The Province of Alberta issued a C$500m five-year bond via Banque Paribas, which quickly increased the deal to $650m, making it the largest-ever issue in that currency. The bonds, with a 10¾ per cent coupon, are priced at 101⅞ to yield 10.3 per cent, a spread of 26 basis points over comparable government securities.

Demand for the securities was aided by recent memories of the issuer's previous deal, which has proved so popular it is now yielding some 45 basis points below comparable government bonds. Also, the new securities offer a yield pick-up over the outstanding issue of about 55 basis points, prompting some switching by investors. Despite the size of the deal and the volume of Canadian dollar paper issued within the past few days, the bonds closed inside their 1⅞ per cent fees at less 1¾ bid.

Meanwhile, Sumitomo Bank sought to raise nearly $1bn in new capital via three separate issues of convertible bonds. The bonds are in dollars, D-Marks and two separate tranches of Swiss francs — one public, one a private placement — all with 5 per cent conversion premiums.

INTERNATIONAL BONDS

The public and private offerings of SFr350m each carry a put option effective in September 1991 to yield 3.47 per cent, against a coupon of ½ per cent. The underwriting group for the public issue in Switzerland included, somewhat unusually, Banca del Gottardo — a Swiss-based bank in which Sumitomo itself owns a stake. Banca del Gottardo is not generally a member of the underwriting syndicates assembled by the three largest Swiss banks.

The dollar and D-Mark tranches closed well inside their fees, just around the par issue price, while the Swiss franc tranches were bid at premiums of ⅛ to ¼ over their par issue prices.

Meanwhile, yet another UK building society tapped the public credit markets for new funding. National and Provincial Building Society, the UK's sixth largest, issued a £100m 10-year Eurobond through S.G. Warburg. The bonds pay interest at ⅛ point over three-month London interbank offered rates and are priced at par.

The bonds closed inside their 20 basis point fees at 99.85 per cent bid.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Sumitomo Bank Ltd.§	300	(3¼)	100	2004	2½/1½	Sumitomo Finance Int.
Komatsu Ltd.‡	300	(4½)	100	1993	2¼/1½	Nomura Int.
Nichimen Corp.‡	200	(4⅝)	100	1993	2¼/1½	Daiwa Europe
CANADIAN DOLLARS						
Province of Alberta◆	650	10¾	101⅞	1994	1⅞/1¼	Bqe Paribas Cap.Mkts
BNL Overseas Finance◆	100	11¼	101⅞	1991	1⅛/⅝	Prudential-Bache
AUSTRALIAN DOLLARS						
Bayerische Landesbk◆	75	14½	101½	1992	1½/1	Hambros Bank
STERLING						
Nat. & Provincial B/S†◆	100	(e)	100	1999	20/10bp	Warburg Secs.
BNP◆	75	11⅝	101¾	1994	1⅞/1¼	GSFB
Thorn EMI Capital(b)§◆	103	5¾	100	2004	2½/1½	Warburg Secs.
ECUs						
CNT◆	100	7⅜	101½	1994	1⅞/1¼	Deutsche Bk Cap.Mkts
Kredietbank Intl.(c)◆	50	Zero	69.625	1994	1¼/⅞	Kredietbank NV
SWISS FRANCS						
Sumitomo Bank(d)§	350	(½)	100	1994	n/a	UBS
Sumitomo Bank(d)§★★	350	(½)	100	1994	n/a	Banca del Gottardo
Hiroshima Bank(e)§★★	100	(½)	100	1993	n/a	UBS
Heron Int.BV◆	150	5½	100	1999	2⅝	Credit Suisse
Alutem KGAA★★(g)◆	40	3½	100	1994	1¾	Bank Julius Baer
D-MARKS						
Sumitomo Bank§	300	(2¾)	(100)	1994	2¼/1⅜	Dresdner Bank

†Floating rate notes. ‡With equity warrants. §Convertible. ◆Final terms. a) ⅛ over 3m Libor. (b) Convertible preference shares. c) Redemption linked to BFr. d) Ind. put option 30/9/91 at 108¾ to yield 3.47% ★★Privte placement. e) Indicated put option at 106⅝ to yield 3.47%. g) With going public warrants.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market:

Closing prices on January 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.21
A/S Eksportfinans 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.02
B.F.C.E. 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.84
Brit. Tel. Fin. 9⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.79
Canada 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.51
Canadian Pac 10⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.13
C.C.C.E 9¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.77
C.N.C.A 9¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.71
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.71
Credit National 8⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.86
Credit National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.74
Credit National 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.89
Dai-Ichi Kan 9⅜ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.85
Denmark 7⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.94
E.E.C. 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.71
E.E.C. 7⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.82
E.E.C. 8 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.92
E.I.B. 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.73
E.I.B. 9⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.71
Elec. De France 9 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.73
Finland 7⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.84
Finland 7⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.83
First Fed. Cal. 8⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.85
Ford Motor Credit 8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.01
Gen. Elec. Cap. Corp. 9 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.86
Gen. Elec. Credit 10⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.21
Gen. Mtrs. Corp. 9⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.70
Halifax BS 9⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.04
IBM Credit Corp. 8⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.59
Italy 9 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.68
Italy 9⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.80
Ltc. Mutual Cap. 9⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
L.T.C.B. of Japan 8 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.93
L.T.C.B. of Japan 8 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.01
Matsushita Tokyo 9⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.57
Morgan Guaranty Tst. 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.88
Nippon Tel. & Tel. 9⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
Norway 8⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.72
Portugal 8⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.66
Prudential Corp. 8⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.48
Qantas Airways 10⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.86
Saskatchewan 10⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.86
State Bk S Aust 9⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.01
Sumitomo Bank 9⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.84
Swed Exp Cred 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.79
Sweden 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.72
Sweden 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.81
Sweden 8⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.73
Sweden 8⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.44
Tokyo Elec. Power 9⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.92
Victorian Rep 11⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.79
World Bank 7 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.64
World Bank 9 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.69
World Bank 9⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yasuda Trust Fin 8⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.06

Average price change... On day -0⅛ on week -0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 6 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.59
Avon Fin. 3¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.60
Bank of Tokyo 5⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.33
Central Ost. Turkey	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.69
Commerzbank Int 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.27
Degussa Int. 6⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.93
E.I.B. 5⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.11
E.I.B. 6 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.10
E.I.B. 6⅛ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.05
E.I.B. 6⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.10
E.I.B. 6¾ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.05
Credit Foncier 6 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.13
Euro.Coal&Steel 5⅝ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.76
Eurofima 6⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.01
Elec. De France 5⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.46
Forsmark Krsp. 5⅜ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.07
A.O.B. 6 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.51
Japan Dev. Bk. 5⅜ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.15
Japan Finance 5⅜ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.30
Ireland 6⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.18
Malaysia 6⅝ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.32
Nat. West Bk. PLC 6 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.25
N.H.L. Finance 6⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.93
Nippon Tel&Tel 6 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.35
Oesters. Kontr. 5 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50
Portugal 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.24
Portugal 6⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.80
Privatbanken 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.40
Royal Insurance 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.44
Soc Gen Nuclear 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.97
Turkey 6⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.27
World Bank 6⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.07

Average price change... On day +0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.79
Ashland 5 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.94
B.F.C.E. 4⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.65
B.W. W. Fin Nedl. 5 13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.31
Britannia B/S 4⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.81
CIR Intl. W/W 3 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.67
Credit Lyonnais 4⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.03
E.I.B. 4⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.72
Fletcher Chall 4⅞ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.34
Kobe City 4⅝ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.82
Leeds Perm B/S 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.81
Malaysia 5⅜ 98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.42
Maxwell Comm. Crp. 5 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.74
Nat. Bk. Hungary 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.83
Nationwide Ang. B/S 4⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.92
Nippon Tele&Tel 4⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.49
Oesters. Kbk. 5 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.88
Prov. Newfoundland 5 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.92
Thailand 4⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.39
World Bank 5 03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.95

Average price change... On day +0 on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102	102¼	-0⅛	-0¼	4.77
Belgium 4⅝ 94	45	98⅛	98⅜	-0¼	-0¼	5.00
Canada 4⅞ 92	80	98¼	98⅞	-0¼	-0½	4.77
Elec. De France 5⅛ 94	20	100¼	101¼	-0¼	-0¼	4.90
Ireland 5⅛ 93	30	100¼	100⅝	-0⅛	-0⅛	5.02
Norway 5¼ 95	50	100⅞	101⅛	-0⅛	-0⅝	4.93
Rep. of Italy 5¾ 92	150	102⅛	103⅛	-0¼	-0½	4.69
Sweden 4⅝ 93	50	99⅛	99⅛	-0⅛	-0¼	4.81
World Bank 5½ 92	50	102½	102¾	-0⅛	-0½	4.70

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	97⅝	98⅛	-0¼	-0⅛	10.91
Alg. Bk. Ned. 5½ 92 FL	150	99	99½	+0⅛	+0¼	5.76
Alg. Bk. Ned. 5¾ 93 FL	200	98⅛	98¾	0	-0⅛	6.16
Amro Bank 6¼ 92 FL	150	101⅛	101⅞	0	-0⅛	5.76
Aust. Ind. Dev. 12⅛ 93A$	100	94⅞	95⅜	-0⅛	-1¼	14.35
Barc. Bk. 10¼ 97 £	250	94⅛	95⅛	-0⅛	-0¼	11.18
Barclays Aus. 13½ 91 A$	100	99⅛	99¾	-0⅛	-0½	13.66
BP Capital 9¾ 93 £	100	94¾	95¼	-0⅛	-0¼	11.26
British Airways 10 98 £	100	91½	92	-0¼	-0¼	11.49
Buhrmann-Tet. 6⅛ 93 FL	100	100⅛	100⅞	0	+0⅛	6.20
Comm. Bk. Aust. 12⅛ 93A$	100	96⅛	96⅛	0	-0¼	13.53
Coop. Ctr. Rabo. 6¼ 93 FL	100	100⅛	100⅛	0	0	6.14
Coop. Ctr. Rabo. 6 92 FL	200	100⅛	100¾	0	+0⅛	5.78
Denmark 7⅛ 92 ECU	100	†100½	101	0	0	7.46
Dixons 11 95 £	90	†95⅛	95⅛	-0¼	—	11.86
Deut. Bk. Aust. 12¼ 95 A$	70	99½	100⅛	-0¼	-0⅛	12.78
Eastman Kodak 13 90 A$	100	96½	97⅛	-0¼	-0¼	15.24
E.I.B. 7 96 LFr	100	†98	99	0	0	7.28
Elec. France 10¼ 93 C$	125	†98⅛	99⅛	-0¼	-0⅛	10.47
Euratom 7⅛ 97 ECU	145	95	95½	0	-0¼	8.17
Fed. Bus. De. Bk. 9¾ 92 C$	75	†97	97½	-0¼	-0¼	10.71
Ford Cr. Can. 10¼ 93 C$	100	†99¾	100¼	-0¼	-0¼	10.73
Gillette Can. 9⅝ 93 £	70	91¾	92⅛	-0¼	-0⅝	11.89
G.M.A.C. 9¼ 93 C$	150	†96⅛	96⅛	-0¼	-0⅛	10.61
G.M.A.C Aus. Fin. 14 90 A$	50	100⅛	101⅛	+0¼	+0¼	13.16
Halifax BS 10⅛ 97 £	100	94¾	95¼	-0⅛	-0⅛	11.33
Imp Chem Inds 10 03 £	100	92	92½	-0¼	-1¼	11.09
Inv. Industry Int. 10 93 £	60	93⅛	95½	-0¼	-0⅞	11.44
Lloyds Bank 10¼ 98 £	150	92¼	93¼	-0¼	-0⅞	11.51
Lloyds Bank 11⅛ 98 £	100	98⅛	98½	-0¼	-0¼	11.68
Montreal Tst. 10¼ 93 C$	100	†99¼	99⅝	-0¼	-0⅛	10.89
Nat. West. Bk. 13⅛ 92 A$	50	†99⅜	99⅞	0	-0⅛	13.22
Nationwide BS 10⅛ 93 £	75	95⅛	95⅝	-0¼	-0¼	11.53
Ned. Midd. Bank 6 92 FL	150	100½	100⅛	0	0	5.86
New Zealand 9½ 93 £	100	93⅞	94¼	-0¼	-0½	11.30
New Zealand 7¼ 93 ECU	200	100¼	100¼	+0⅛	—	7.59
Oesters. Ktbk. 13⅛ 94 A$	75	†102	102½	+0¼	+1	12.99
Philips Gleoil. 6 93 FL	300	99¼	99⅛	0	0	6.15
Prudential Fin. 9⅛ 07 £	150	87	87½	-0¼	-1	11.00
Royal Bk. Scot. 10⅛ 98 £	125	94⅛	94¾	-0¼	-1	11.66
Saskatchewan 9⅞ 91 C$	150	†97¾	98¼	-0¼	-0¼	10.76
Saskatchewan 10⅛ 93	200	97½	98⅛	-0⅛	-1	10.85
S.O.R. 7¼ 93 ECU	90	98¾	99⅛	0	-0¼	7.95
Union Bk. Switz. 7½ 93	150	100¼	101⅛	-0¼	-0¼	7.24
World Bank 5¾ 92 FL	100	99	99⅛	0	-0⅛	6.00
World Bank 13⅛ 92 A$	100	†100	100¼	+0¼	-0¼	13.20
Zentrspk. 13¼ 93 A$	75	98⅛	99	-0¼	-0⅛	13.61

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.83	99.88	21/01	10.99
Belgium 91 US	0	100.16	100.26	21/02	9
Britannia 5 93 £	0¼	99.99	100.04	10/01	12.12
Chase Manhattan Crp. 91 US	0¼	99.53	99.70	22/02	8.94
Citicorp 98 US	†0¼	97.95	98.20	28/02	9.62
Credit Foncier 98 US	.063	99.58	99.68	20/04	8.44
EEC 3 92 DM	†0	100.92	101.02	22/02	5.63
Halifax BS 94 £	.1	99.98	100.03	8/02	12.29
Invt. In Industry 94 £	0	99.52	99.62	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	13/01	10.44
Midland Bank 01 £	.1	96.25	97.25	11/02	11.41
Milk Mkt. Brd. 5 93 £	0¼	100.05	100.09	30/12	12.06
New Zealand 5 97 £	.07	100.17	100.27	20/02	12.16
New Zealand 5 01 US	0	99.83	99.94	4/02	8.62
State Bk. Nsw. 98 US	.188	100.30	100.40	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.98	100.02	13/01	12.12
Woolwich 5 95 £	0⅛	99.83	99.88	21/02	12.37

Average price change... On day +0.01 on week +0.05

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcan 6¼ 02 US	8/87	62	105¾	106¼	+0¼	16.33
Amer. Brands 7¼ 02 US	9/87	56.7	114⅛	115¾	+0¼	3.36
Ashikaga Bank 2¾ 02 US	4/87	967.	154¼	155¼	-0¼	5.52
Asics 5 92 DM	12/83	472.7	214½	215⅞	0	6.43
CBS Inc. 5 02 US	4/87	200.	92½	93½	+0¼	8.85
Comm. Credit 5½ 02 US	4/87	66.75	64¼	65¼	0	54.06
Eng.China Clay 6½ 03 £	9/88	4.8	98⅞	99⅞	0	4.61
Fujitsu 3 99 US	5/84	1106.	246⅝	247¼	-1⅛	-0.82
Land Secs. 6⅛ 02 £	6/87	6.72	90¾	91¾	+0¼	13.09
MCA Inc 5½ 02 US	9/87	69.62	83¼	84¼	+0¼	24.07
Minolta Camera 2¼ 94DM	2/86	1004.	97⅝	98⅞	0	15.49
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	139¼	140¼	-0⅞	3.10
Mitsui Trust 2¼ 01 US	10/86	1903.	146⅝	147⅞	-3	2.99
Next Plc 5⅛ 03 £	11/87	4.3	97½	98½	0	205.36
Nishi Nipp. Bk 2⅞ 05 US	4/88	804.	125¼	127	0	12.89
Omron Tateisi 2⅜ 02 US	4/87	1310	216⅝	218	-1¼	-1.16
Ranks Hovis 4⅞ 03 £	1/88	3.5	110⅝	111⅝	+3¼	12.74
Redland 7¼ 02 £	1/87	5.4	88½	89½	+0⅛	14.16
Stand&Stchd 6¾ 03 £	†10/89	4.41	94½	95¼	+0¼	26.95
Texas Inst. 2¾ 02 US	9/87	82.87	74	75	+0½	47.00
W.R. Grace 6¼ 02 US	9/87	42.12	81¼	82¼	+0¼	34.16

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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New York falls back after steady opening

By Janet Bush in New York and Katharine Campbell in London

THE MONETARY stance of the US Federal Reserve was once again at the centre of attention in the Treasury bond market.

Prices opened little changed, despite continuing firmness in the dollar, as dealers traded cautiously before today's release of December unemployment data.

However, prices fell back towards midsession as the Fed Funds rate dipped below 9 per cent for the first time this week after the Federal Reserve announced four-day system repurchase agreements, thus

GOVERNMENT BONDS

adding reserves to the money market more aggressively than many had anticipated.

By midsession, prices were quoted around ¼ point lower at the extreme short and long ends of the yield curve and as much as ⅛ point lower in the 1992 area. The benchmark long bond was quoted ⅜ point lower to yield 9.09 per cent while the yield on the 8.5 per cent 1991 issue rose to 9.31 per cent.

The market had initially focused yesterday on a report in the Wall Street Journal that quoted official sources as saying that the central bank's Fed Funds target had been raised to 9 per cent or slightly above. However, when traders saw the four-day system repurchases, they became less sure that the target had been raised from around 8¾ per cent to 8⅞ per cent, which seemed to prevail around a fortnight ago.

Because of seasonal distortions, it is still not easy to read Fed policy and there may be no further clarification until after today's unemployment release.

THE FRENCH Government yesterday conducted its first auction of a new 30-year bond, the longest it has ever issued.

The Treasury sold FFr2.65bn of the new OAT 8.5 per cent 2019 bond at a limit price of 95.7, serving less than half of the FFr5.6bn of bids. The weighted average yield of the bonds sold was 8.91 per cent.

The main bond in the auction was the 10-year OAT 8.125 per cent 1999, also a newly created stock. The Treasury served FFr5.05bn of the FFr10.5bn of bids at a price of 96.95, with a weighted average yield of 8.59 per cent.

A further FFr1.54bn was sold of the new floating rate OAT TME 2001, indexed on the average yield of long-term government bonds, compared with FFr5.15bn demanded. The limit price of 98.7 gives a weighted margin of 59 basis points below the index yield.

The Government therefore made a modest start to the year, auctioning a total of FFr9.24bn towards its borrowing target of FFr80bn to FFr100bn for the year.

Dealers said the new 30-year bond appeared to have made a respectable start, after the success last year of the 25-year OAT 8.5 per cent 2012, itself already the longest bond in the Treasury's arsenal.

THE UK Government bond showed little reaction to the first domestic economic statistics of the year. The weekly bank notes in circulation figure remained high, 10.6 per cent higher than this time last year. Last week's figure was 10.7 per cent up on 1988. The market fell about ⅛ of a point, clearly unprepared to lend too much weight to this particular piece of evidence that high interest rates are still failing to bite into the consumer boom.

The key British Treasury 11¾ per cent issue due 2003-2007 ended the day ⅛ point lower at 114⅞ to yield 9.87 per cent. However, index-linked stocks outperformed the rest of the market, advancing ¼ point. Traders said there was some suggestion this sector had been lagging other stocks.

DEALERS reported quite heavy selling in the Japanese government bond futures market, where the notional 10-year March contract closed at 106.20, compared with 106.45 on Wednesday. It had slipped to 106.11 during the day. Many cash traders were holding their fire ahead of today's US employment figures.

GERMANY was also quiet in anticipation of today's figures. The new year "Silvester" bond was listed officially on the stock exchange. The DM5bn Federal 6½ per cent issue due 1999 was fixed lower at 99.45 to yield 6.58 per cent. Its issue price was 100.25, at a yield of 6.47 per cent. The Bundesbank is understood to have supported the issue.

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LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday January 5 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jan 4 Index No.	Tue Jan 3 Index No.	Fri Dec 30 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	788.90	+0.7	11.86	4.51	10.33	0.00	783.37	775.54	781.53	749.24
2 Building Materials (28)	955.92	+0.6	13.32	4.76	9.24	0.00	949.76	939.86	952.97	988.49
3 Contracting, Construction (39)	1481.83	+0.5	13.38	4.11	9.75	0.00	1474.77	1468.31	1482.64	1417.71
4 Electricals (10)	2314.24	+0.3	9.36	4.88	12.89	0.00	2306.44	2294.38	2307.49	2068.38
5 Electronics (30)	1825.30	+1.3	10.27	3.57	12.60	0.00	1801.43	1776.44	1779.76	1554.96
6 Mechanical Engineering (55)	412.01	+0.5	11.55	4.53	10.53	0.00	409.82	406.34	410.62	388.88
8 Metals and Metal Forming (7)	455.94	+0.2	16.95	6.48	6.66	0.00	455.21	452.62	455.86	463.33
9 Motors (17)	262.62	+0.6	12.45	5.04	9.31	0.00	261.14	258.24	260.62	273.00
10 Other Industrial Materials (23)	1334.14	+0.6	10.22	4.68	15.57	0.00	1326.02	1311.63	1316.37	1276.32
21 CONSUMER GROUP (187)	1027.51	+0.5	10.04	4.06	12.49	0.00	1022.07	1016.74	1024.42	1037.77
22 Brewers and Distillers (21)	1126.81	+1.2	11.25	3.96	11.18	0.00	1112.94	1112.42	1113.47	995.81
25 Food Manufacturing (21)	939.71	+0.1	9.71	4.10	12.93	0.00	938.71	926.04	932.96	845.69
26 Food Retailing (15)	1807.43	+0.5	9.92	3.85	13.26	0.00	1798.28	1784.64	1799.24	2086.09
27 Health and Household (13)	1802.12	+0.7	7.45	3.00	15.38	0.00	1789.00	1778.20	1794.29	1766.93
29 Leisure (32)	1354.99	+0.6	8.64	3.73	14.77	0.00	1347.53	1346.22	1358.71	1167.50
31 Packaging & Paper (17)	529.60	+0.4	10.52	4.25	11.82	0.00	527.28	523.88	526.54	519.29
32 Publishing & Printing (19)	3254.53	+0.5	9.39	4.71	13.32	0.00	3236.76	3246.22	3258.70	3520.21
34 Stores (34)	683.72	-0.1	12.44	5.03	10.57	0.00	684.20	679.97	692.74	829.35
35 Textiles (15)	470.24	+0.9	14.82	6.01	8.08	0.00	466.19	464.71	464.58	610.70
40 OTHER GROUPS (91)	903.71	+0.4	11.58	4.76	10.56	0.00	900.28	896.15	901.08	869.58
41 Agencies (18)	1054.12	+1.1	9.15	2.79	13.79	0.00	1043.07	1030.84	1041.97	1108.81
42 Chemicals (22)	1042.64	+0.6	12.22	5.85	9.82	0.00	1036.05	1026.37	1030.78	1128.10
43 Conglomerates (12)	1270.59	+0.5	11.63	5.63	9.98	0.00	1264.29	1254.94	1262.81	1152.59
45 Shipping and Transport (12)	1850.80	+0.8	10.74	4.50	12.17	0.00	1836.25	1844.30	1861.87	1751.10
47 Telephone Networks (2)	1009.18	+0.5	11.64	4.65	11.17	0.00	1006.10	1002.43	1006.66	897.10
48 Miscellaneous (25)	1183.56	-0.4	12.16	4.64	9.36	0.00	1188.48	1187.15	1191.51	1176.75
49 INDUSTRIAL GROUP (487)	946.82	+0.5	10.96	4.38	11.27	0.00	941.74	935.74	942.33	928.10
51 Oil & Gas (13)	1726.39	-0.1	10.68	6.43	11.97	0.00	1728.36	1725.77	1725.48	1792.34
59 500 SHARE INDEX (500)	1013.09	+0.4	10.92	4.66	11.36	0.00	1008.56	1002.81	1008.87	1001.37
61 FINANCIAL GROUP (127)	675.35	+0.1	–	5.25	–	0.00	674.84	670.86	674.24	656.53
62 Banks (8)	661.16	-0.1	21.44	6.56	6.25	0.00	661.95	657.74	662.09	666.27
65 Insurance (Life) (8)	933.96	-0.5	–	5.78	–	0.00	938.35	937.46	941.25	984.30
66 Insurance (Composite) (7)	534.02	+0.2	–	5.85	–	0.00	532.95	528.72	530.28	508.52
67 Insurance (Brokers) (7)	937.99	+1.5	9.33	6.93	13.39	0.00	923.72	916.60	917.20	929.10
68 Merchant Banks (11)	321.31	+0.8	–	4.67	–	0.00	318.65	318.05	319.29	355.34
69 Property (54)	1208.48	+0.1	5.07	2.78	21.73	0.00	1206.76	1198.13	1206.26	991.76
70 Other Financial (32)	345.07	+0.2	10.15	5.80	12.30	0.00	344.49	342.99	343.33	401.35
71 Investment Trusts (76)	927.91	+0.5	–	3.27	–	0.00	923.72	922.04	926.82	824.99
81 Mining Finance (2)	568.38	-0.2	10.75	3.60	10.36	0.00	569.40	561.50	565.31	453.87
91 Overseas Traders (8)	1275.43	......	9.18	4.96	12.62	0.00	1275.45	1273.76	1276.92	999.11
99 ALL-SHARE INDEX (713)	929.97	+0.4	–	4.69	–	0.00	926.49	921.22	926.59	908.49

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 4	Jan 3	Dec 30	Dec 29	Dec 28	Year ago
FT-SE 100 SHARE INDEX♦	1799.5	+6.5	1803.2	1797.6	1793.0	1782.8	1793.1	1803.4	1787.7	1787.2

FIXED INTEREST

PRICE INDICES	Thu Jan 5	Day's change %	Wed Jan 4	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.29	-0.05	118.35	–	0.00
2 5-15 years	133.11	-0.17	133.33	–	0.00
3 Over 15 years	145.61	-0.16	145.84	–	0.00
4 Irredeemables	167.40	-0.17	167.68	–	0.00
5 All stocks	131.19	-0.13	131.36	–	0.04
Index-Linked					
6 5 years	129.73	+0.09	129.61	–	0.00
7 Over 5 years	126.61	+0.08	126.51	–	0.00
8 All stocks	126.66	+0.08	126.56	–	0.00
9 Debentures & Loans	115.92	-0.10	116.06	0.03	0.18
10 Preference	86.47	+0.27	86.24	–	0.00

AVERAGE GROSS REDEMPTION YIELDS			Thu Jan 5	Wed Jan 4	Year ago (approx.)
British Government					
1	Low	5 years	9.48	9.48	8.91
2	Coupons	15 years	9.15	9.14	9.61
3		25 years	9.06	9.05	9.43
4	Medium	5 years	10.44	10.43	9.68
5	Coupons	15 years	9.75	9.72	9.81
6		25 years	9.31	9.29	9.70
7	High	5 years	10.93	10.88	9.69
8	Coupons	15 years	9.89	9.87	9.96
9		25 years	9.27	9.26	9.69
10	Irredeemables		9.06	9.05	9.36
Index-Linked					
11	Inflation rate 5%	5yrs.	3.84	3.87	2.98
12	Inflation rate 5%	Over 5 yrs.	3.78	3.79	4.09
13	Inflation rate 10%	5yrs.	2.63	2.66	3.46
14	Inflation rate 10%	Over 5 yrs.	3.62	3.62	4.18
15	Debs & Loans	5 years	11.69	11.56	11.08
16		15 years	11.29	11.26	10.97
17		25 years	10.95	10.96	10.97
18	Preference		10.38	10.41	10.74

♦Opening index 1801.9; 10 am 1798.5; 11 am 1798.4; Noon 1802.5; 1 pm 1802.1; 2 pm 1801.4; 3 pm 1801.8; 4 pm 1800.4; 4.05 pm 1800.5 (a) 12.22pm (b) 9.34am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.
CONSTITUENT CHANGES: Bejam (26) has been deleted and replaced by Kelt Energy (51).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	15	90	6
Corporations, Dominion and Foreign Bonds	3	14	34
Industrials	507	237	836
Financial and Properties	182	85	403
Oils	35	21	48
Plantations	1	2	10
Mines	48	39	101
Others	135	22	96
Totals	926	510	1,534

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
58	F.P.	-	66	58	§Apollo Metals 10p	66		R2.0	2.9	4.0	11.3
§20	F.P.	16/12	30	21	§Apollo Watch Prods. 5p	29		b0.45	3.0	2.1	19.5
-	F.P.	-	76	55	BTR Warrants	75	+7	-	-	-	-
†	F.P.	-	166	161	Burden Group 10p	161		2.5	2.4	2.1	26.5
82	F.P.	-	71	43	§Betacom 10p	71		b2.0	2.0	4.8	9.5
§200	F.P.	-	218	183	§Bletchley Motor 20p	188		R7.5	2.4	5.3	7.6
§135	F.P.	-	146	141	Bostrom 5p	145	+2	R5.1	2.6	4.7	8.2
125	F.P.	-	63	58½	British Steel 50p	61	+1¼	R3.5	2.7	7.9	5.1
Ir.44	F.P.	-	54½	41	§Capital Leasing Ir.10p	54½		RQ13%	3.3	2.0	15.5
§70	F.P.	6/1	82	72	§Channel Express 10p	74		R2.1	3.0	3.8	10.7
245	F.P.	-	262	243	Compass Group 5p	262	+2	R7.2	2.7	3.7	13.5
§154	F.P.	13/1	158	141	Dawsongroup	157	+1	R4.75	2.6	4.0	11.3
084	F.P.	-	95	84	§EW Fact 5p	88		b3.0	2.3	4.5	9.2
§190	F.P.	13/1	190	182	§Embassy Property 10p	187		L6.0	1.4	4.3	11.9
§85	F.P.	-	152	85	*Haemocell 1p	148		-	-	-	-
§110	F.P.	9/1	138	110	§Metro Radio 5p	138	+5	L3.0	2.3	2.9	15.9
§120	F.P.	-	120	106	§Planning Resch. & Sys10p	108		R3.5	2.8	4.3	9.5
§66	F.P.	-	69	62	§Safeland 5p	62		R2.6	3.2	5.6	6.1
§117	F.P.	-	118	110	§Sandell Group 10p	118		L4.4	1.8	5.0	11.6
§140	F.P.	-	148	141	Secure Trust 1p	147		W7.09	2.3	6.4	9.0
§95	F.P.	-	98	93	§Venture Plant 5p	98		L3.25	1.5	4.4	12.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	96p	85p	AMEC New 6½p (Net) Cm Cv Rd Pf 50p	89p	+1
100p	P.P.	-	105p	103p	§Apollo Metals 8p(Net) Cm Rd Pf 10p	103p	
100p	F.P.	-	100¼p	98½p	Arlington Sec. 9½pc Cm. Rd. Pf. 2008	98½p	-½
100p	F.P.	-	111p	106p	Bardon Grp 5p(Net) Cv Cm Rd Pf 10p	110p	
100p	F.P.	-	100p	97p	Beazford Grp 7p(Net) Cm Cv Rd Pf 10p	100p	
100.5p	P.P.	-	101p	94p	Blackwood Hodge 9pc Cm. Pf. £1	96p	
100	F.P.	-	104	100	Cable & Wireless 7pc Cv Un Ln 2008	101	-3
§100p	F.P.	-	99¾p	98½p	Church (C) Dev. 9.375pc Cm Rd Pf £1	99¼p	-¼
100p	Nil	-	1pm	¼pm	§Cityvision 8.5pc Cv Cm. Rd. Pf.	¼pm	
100p	F.P.	-	90p	87p	Iceland Frozen Foods Cv Cm Rd Pf 20p	90p	
§100p	F.P.	-	100¼p	93p	Jessups 7.3p(Net) Cv Cm Rd Pf 50p	96p	+3
100p	F.P.	-	60p	54p	Kelt Energy 6pc(Net) Cv Cm Rd Pf £1	58p	-2
100p	F.P.	-	96p	86p	Leisure Ins 7pc Cm Cv Rd Pf(1988) £1	90p	-5
100p	F.P.	-	98p	89p	Mecca Leisure Grp. 7.25p Cv Pf 20p	91p	
§100	F.P.	-	100	99⅝	N'wide Anglia 12⅛pc 2.6.90	99⅝	
§100p	F.P.	-	96p	90p	Parkfield Grp 9pc(Net) Rd Pf '10/13 £1	90p	
§100p	F.P.	-	100p	88p	Rockware Grp 7¼pc Cv Cm Rd 2nd Pf	94p	
†100p	F.P.	-	85p	80p	§Thorpac 8p Cv Rd Ptg Pf '01-'05 50p	85p	
100p	F.P.	-	104p	93p	Williams Hldgs 8p (Net) Cv Rd Pf 10p	95p	+1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
93	Nil	-	13pm	2pm	§BLP Group 10p	2pm	
165	Nil	2/2	16pm	7pm	Haden MacLellan 20p	10pm	
98	Nil	3/2	8pm	8pm	Lees (John J.) 10p	8pm	
25	Nil	-	4pm	2pm	Munton Group 20p	3pm	+1
220	F.P.	27/12	224	216	§Parkway Group	220	
300	Nil	-	1¾pm	¼pm	Peel Hldgs.	1¾pm	+1½
16	Nil	6/1	2½pm	¼pm	§Resort Hotels 10p	¼pm	-¼
2½	Nil	2/2	1pm	¼pm	*Sunnyard Studios 1p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. h Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ◆ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. ‡‡ Reintroduction. ◆ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ◆ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Dec 19
- Last Dealings Jan 6
- Last Declarations Mar 30
- For settlement Apr 10

For rate indications see end of London Share Service

Calls in N. Kalgurli, Kelt Energy, Explaura, WA Hldgs, Eagle Trst, Nurdin & Peacock, LEP Grp, Holmes Prtect, Eurotunnel Wrnts, Blue Arrow, BDA.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*441)	420	24	43	53	2	10	18
	460	5	20	32	25	30	35
Brit. Airways (*155)	140	17	21	27	1½	5	7
	160	5	8½	13	7	11	15
Brit. & Comm. (*209)	200	13	22	26	5	7	9
	220	2	10	14	16	17	10
	240	½	3	7	32	34	36
B.P. (*249)	240	12	16	23	1¼	8½	18½
	260	2	5¼	12½	12	22	23
British Steel (*61)	50	11¼	15¼	14½	½	1	2
	60	2½	5½	6¼	1	2½	5¼
	70	½	1½	2¼	9¼	9¼	12¼
Bass (*807)	800	20	48	77	12	22	27
	850	5	24	48	45	48	50
Cable & Wire (*367)	360	15	32	42	5	14	19
	390	2	13	23	26	28	35
Cons. Gold (*1245)	1200	80	140	180	22	65	90
	1250	50	115	155	45	90	115
	1300	25	90	135	73	115	140
Courtaulds (*273)	260	16	29	36	3	9	16½
	280	5	17	24	12	10	27
Com. Union (*341)	330	14	23	34	5	13	17
	360	2	8	17	22	31	34
G.K.N. (*301)	300	8	10	27	6	16	10
	330	1	5½	14	31	39	41
Grand Met. (*439)	420	21½	31	47	2½	12	16
	454	3	14	-	18	30	-
I.C.I. (*1030)	1000	40	62	90	6	28	33
	1050	11	33	62	30	55	60
Jaguar (*269)	260	15	23	35	5½	15	19
	280	4	12	25	13	24	28
Marks & Spencer (*149)	140	12½	19	21	2	4	5½
	160	1½	6½	10	12	12½	14
	180	½	2½	4	32	32	32
STC (*273)	260	16	25	36	2	9	12
	280	4	14	24	12	17	20
Sainsbury (*200)	180	21	27	31	1	3½	6
	200	6½	14	19	7	10	14
Shell Trans. (*331)	317	19	26	35	2	8	9
	333	6	14	23	7	16	17
	350	1¼	7	15	20	27	28
Storehouse (*189)	180	15	27	33	6	12	16
	200	4½	16	22	14	20	26
Trafalgar House (*291)	280	10	28	32	4	7	12
	300	6	16	22	12	14	21
Utd. Biscuits (*313)	280	36	50	99	2	9	15
	300	20	38	46	7½	16	23
	330	8	22	32	26	32	38
Ultramar (*287)	275	19	31	-	6	18	-
	280	-	-	43	-	-	26
	294	9	21	-	15	29	-
Woolworth (*236)	220	19	30	32	3	6	9
	240	4½	14	19	8	11	16

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Boots (*231)	220	24	30	34	6½	10	15
	240	18	16	21	15	19	21

Option		Calls Jan	Calls Apr	Calls Aug	Puts Jan	Puts Apr	Puts Aug
GEC (*198)	160	39	42	45	1	2	4
	180	20	25	29	1	6	9
	200	5	12	18	7	15	17

Option		Calls Jan	Calls Apr	Calls Jun	Puts Jan	Puts Apr	Puts Jun
Rolls-Royce (*134)	130	6½	13	15	2	5	8
	140	1½	7	9	7½	10	14

Option		Calls Feb	Calls Apr	Calls Jul	Puts Feb	Puts Apr	Puts Jul
Ladbroke (*429)	420	23	33	42	7½	11½	17
	460	5	12	23	33	35	48

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Brit Aero (*429)	420	25	34	48	11	24	29
	460	7½	16	28	35	47	51
BAA (*266)	260	13½	24	28	5	7	12
	280	4½	14	18	16	19	23
BAT Inds (*447)	420	37	47	57	3	10	15
	460	10	20½	33	17	28	33
Brit. Telecom (*259)	240	24	31	39	1½	3	6
	260	7½	16	23	6	8½	13
Cadbury Schweppes (*341)	330	24	34	47	9	19	23
	360	11	20	32	27	35	41
Guinness (*341)	300	46	52	60	1½	5	5
	330	20	30	36	7	10	12
	360	7	11	21	24	26	28
LASMO (*487)	460	44	67	84	14	30	35
	500	23	45	63	38	50	55
	550	10	26	-	72	82	-
P. & O. (*525)	500	38	50	60	6	16	20
	550	11	20	30	28	40	42
	600	3	8	14	77	80	80
Pilkington (*208)	200	14	21	24	4	8	12
	220	4	10	14	15	18	22
Plessey (*227)	220	17	28	30	7	12	16
	240	8½	16	21	17	22	24
Prudential (*153)	140	17	19	21	5	4	5
	160	4	6	9	10	14	15
	180	1	5	-	29	31	-
Racal (*289)	280	20	32	38	9	14	18
	300	8	19	27	18	23	28
R.T.Z. (*432)	420	24	40	47	9	21	27
	460	6½	18	20	35	40	48

Option		Calls Feb	Calls May	Calls Sep	Puts Feb	Puts May	Puts Sep
Vaal Reefs (*67)	60	12	14	15	2	3¼	5
	70	4½	7	9	8	10	12

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Amstrad (*172)	160	21	29	36	7	11	14
	180	11	18	24	15½	22	24
	200	4	18	-	30	33	-
Barclays (*408)	390	32	35	42	9	11	16
	420	11	18	23	28	28	30
	460	5	6	-	65	65	-
Blue Circle (*436)	420	34	40	50	11	20	34
	460	12	20	28	30	40	48
Dixons (*135)	130	12	16½	21	6	9	13
	140	7	11	16	11	15	16
Glaxo (*1069)	1050	71½	105	138	30	42	48
	1100	47	78	110	55	63	72
Hawker Sidd. (*544)	500	62	71	82	5	12	17
	550	27	37	52	20	30	35
	600	7	15	-	35	70	-
Hillsdown (*235)	220	26	31	36	2	5½	7
	240	11	18	21	11	15	14
Lonrho (*340)	330	36	55	60	26	36	42
	360	22	39	49	42	56	60
Midland Bk (*411)	390	31	40	47	10	12	16
	420	10	20	27	23	25	28
Sears (*110)	110	9½	13½	16½	6½	10	13
	120	4¼	8½	11	15	16½	18
Trusthouse Forte (*253)	240	21½	51	38	8	11½	13½
	260	11½	20½	26	18½	22	24
Thorn EMI (*639)	600	58	74	80	7	15	18
	650	24	38	45	25	37	40

Option		Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
British Gas (*158)	140	19	22	28	½	1½	2
	160	1¼	6¼	11¼	3½	6½	8

Option		Calls Jan			Puts Jan		
RHM (*356)	330	30	-	-	3	-	-
	360	10	-	-	15	-	-

Option		Calls Mar	Calls Jul	Calls Oct	Puts Mar	Puts Jul	Puts Oct
Beecham (*470)	460	33	49	62	12	21	23
	500	15	27	41	33	42	43
Unilever (*463)	460	24	37	48	15	21	26
	500	8	19	29	42	47	47

Option		Calls Mar	Calls May	Calls Aug	Puts Mar	Puts May	Puts Aug
BTR (*301)	280	30	31	38	3	6	8
	300	15	16	25	8	13	16
Hanson (*158)	140	22½	25	27	1	1½	2¼
	160	6¼	9	15	5½	6	8

Option		Calls Jan	Calls Mar		Puts Jan	Puts Mar	
Enterprise Oil (*470)	460	25	48	-	13	28	-
	500	10	30	-	39	47	-
Scot. & Newcastle (*392)	360	33	34	-	2	7	-
	390	6	25	-	6	18	-
	420	1½	15	-	30	34	-

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Conv. 9½% 2005 (*99)	98	1[illegible]	-	-	[illegible]	-	-
	100	[illegible]	-	-	1[illegible]	-	-
	102	[illegible]	-	-	3[illegible]	-	-
Tr. 12% 1995 (*106)	106	-	-	-	[illegible]	-	-
	110	[illegible]	-	-	-	-	-
	112	[illegible]	-	-	-	-	-

Option		Calls Jan	Calls Feb	Calls Mar	Calls Apr	Puts Jan	Puts Feb	Puts Mar	Puts Apr
FT-SE Index (*1801)	1650	158	-	-	-	2½	-	-	-
	1700	110	125	135	147	4½	10	15	19
	1750	62	83	95	108	9½	19	24	29
	1800	27	43	56	74	24	35	41	45
	1850	8	21	31	43	56	62	68	73
	1900	2	8	15	22	106	108	109	109
	1950	1	2	-	-	156	158	-	-

Total Contracts 37,312 Calls 27,174 Puts 10,138
FT-SE Index Calls 2466 Puts 5098
*Underlying security price.

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Mr. İlhan Nebioğlu (London Representative Office) 141-142 Fenchurch St. London EC3M 6BL Tel: (01) 626 3803 Tlx: 8813102 galo g

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CREDIT SUISSE (BAHAMAS) LIMITED

Notice of Early Redemption

Credit Suisse (Bahamas) Limited
(Incorporated in the Commonwealth of the Bahamas)

US$ 100 000 000
4¾% Convertible Debentures Due 31st December, 1993
(Swiss Security No 643.026)

Convertible into 80 000 Bearer Shares of SFr. 500 nominal value each of
Credit Suisse
(Incorporated in Switzerland)

Notice is hereby given in accordance with tha Redemption and Purchase Provisions of tha Terms of the Debentures thet Credit Suisse (Bahemee) Limited wishes to redeem all of the still outstanding Dabentures of the above mentioned issue on 28th February, 1989 (the «Redemption Date»).

Debentures will be redeemed with $ 1272.40, being tha face emount of $ 1250.– at 101% and $ 9.90 accrued interest until February 28, 1989 en or after tha Redemption Date against presentation and surrendar of the Bonds together with all unmatured Coupons at tha Paying Agents listed below. The Debentures will cease to bear interest on the Redemption Dete and becoma void unless presented fer payment within a period of ten years from the Redemption Date.

Holders of the Dabentures may exercise the conversion rights in accordance with the Terms of the Debentures until but not after **February 28, 1989**. The present conversion price is US$ 1'172,47 plus Sfr. 50.– for one Debenture (US$ 1'250 principal amount), the price of Sfr. 50.– representing tha par value of one participation certificate of CS Holding.

Separate Notice hee been given to the Trustee for the Debenture-holders, Commercial Union Assurance Company plc, St. Halen'a, 1 Undarshaft, London EC3P 3DQ.

Principal Paying Agent: Credit Suisse, Paradeplatz 8, CH-8001 Zurich
Paying Agents: Credit Suisse, London
Banqua Internationala à Luxembourg S.A., Luxembourg

For and on behalf of Credit Suisse (Bahamas) Limited
By Credit Suisse, Zurich, es Principal Paying Agent

CREDIT SUISSE

CREDIT SUISSE (BAHAMAS) LIMITED

Notice of Early Redemption

Credit Suisse (Bahamas) Limited
(Incorporated in the Commonwealth of the Bahamas)

US$ 100 000 000
4¾% Convertible Debentures Due 31st December, 1991
(Swiss Security No 643.025)

Convertible into 100 000 Bearer Shares of SFr. 500 nominal value each of
Credit Suisse
(Incorporated in Switzerland)

Notice is hereby given in accordance with the Redemption and Purchase Provisions of the Terms of the Debentures that Credit Suisse (Bahamas) Limited wishes to redeem all of the still outstanding Debentures of the above mentioned issue on 28th February, 1989 (the «Redemption Date»).

Debentures will be redeemed with $ 1007.08, being the face amount of $ 1000.– at par and $ 7.08 accrued interest until February 28, 1989 on or after the Redemption Date against presentation and surrender of the Bonds together with all unmatured Coupons at the Paying Agents listed below. The Debentures will cease to bear interest on the Redemption Date and become void unless presented for payment within a period of ten years from the Redemption Date.

Holders of the Debentures may exercise the conversion rights in accordance with the Terms of the Debentures until but not after **February 28, 1989**. The present conversion price is US$ 899,22 plus Sfr. 50.– for one Debenture (US$ 1'000 principal amount), the price of Sfr. 50.– representing the par value of one participation certificate of CS Holding.

Separate Notice has been given to the Trustee for the Debenture-holders, Commercial Union Assurance Company plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

Principal Paying Agent: Credit Suisse, Paradeplatz 8, CH-8001 Zurich
Paying Agents: Credit Suisse, London
Banque Internationale à Luxembourg S.A., Luxembourg

For and on behalf of Credit Suisse (Bahamas) Limited
By Credit Suisse, Zurich, as Principal Paying Agent

This announcement appears as a matter of record only
All these shares have been already placed

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NOTICE TO THE HOLDERS OF 12.625% Convertible Reset Notes (the "Notes") due April 15, 1997 and guaranteed by, and convertible into the Common Stock of, Lear Petroleum Corporation

The Notes were issued pursuant to the Indenture ("Original Indenture"), dated October 15, 1985, entered into by LPC International Finance, N.V. (the "Issuer"), Lear Petroleum Corporation (the "Guarantor") and Allied Bank of Texas (the "Original Trustee"), predecessor in interest to First Interstate Bank of Texas, N.A. (the "Trustee").

By hereby notified that the Issuer, the Guarantor and the Trustee have entered into a First Supplemental Indenture dated and effective as of November 15, 1988. Such First Supplemental Indenture has hereby deleted the following section of the Original Indenture:

Section 5.08 - Limitation on dividends and purchase of capital stock or subordinated indebtedness.

The aforesaid constitutes Public Notice to all holders of the Notes.

UK COMPANY NEWS

George Martin quits leisure group

By Nikki Tait

MR GEORGE MARTIN, the former Pleasurama chief executive who went on to build up the LandLeisure group with Mr Peter de Savary, has quit the leisure company in the wake of its takeover by the much smaller Leisure Investments.

News of Mr Martin's departure comes in sharp contrast to *the stated plans when Leisure* Investments' recommended bid fer LandLeisure was first announced in early-November.

Then, it was envisaged that Mr Martin would become deputy chairman and joint managing director of the merged groups. Mr Stephen Fersyth, formerly chairman and managing director of Leisure Investments, was to become chairman and joint managing director.

Mr de Savary, on the other hand, cut his links with LandLeisure, aside a very small continuing share stake.

Yesterday, shares in Leisure Inveetments — which had already fallen from 104p ahead of the deal — eased another 7p to 86p. When the paper and cash bid was first announced, it valued LandLeisure at ebout £170m, compared with Leisure Investments' market capitalisation of some £50m.

A statement from Mr Martin said that his planned involvement in the merged group was aimed et providing "additional leisura managament experience, particularly in the casino *operations*".

Hewever, eubsequent integration plans showed that Leisure Investments had "an extremely capable team" while LandLeisure's casino business – the Aspinall's casino in London's Mayfair – could be integrated in tha existing divisional structure.

Mr Mertin said, tharefere, that he had "decided to pursue ether epportunities currently epen to me in tha leisure industry".

Mr Barry Purcell, who joined Leisure Investments several years ago having run Lonrho's hotel and casino operations fer seven years, continues as chief executive of the casine division. In addition to Aspinalls, Leisure Investments bas bought two other "middle market" casinos in London, and owns overseas casino interests in Gibralter, Istanbul and Cairo. The LI statement says the new management team is introducing improved controls at the three newly-acquired casinos.

Planned investment in the merged group was aimed at providing "additional leisure management experience" — George Martin

According to Mr Forsyth, Mr Martin left the company on Wednesday and the decision tbat he sheuld depart was taken this week. He denied any suggestions of a personality clash, saying that the departure was a recognition that — in the wake of the reorganisation — "there wasn't enough for both of us".

Mr Forsyth said Mr Martin *would receive* a £100,000 handshake. That compares with the £200,000 a year whicb he earned under his five-year service contract with LandLeisure, plus annual commission equal to 1 per cent of net profits.

LI also said that it had commenced its planned disposal programme, and was in discussion with various parties. It has talked of raising some £100m from disposals — largely property, but also including a near-10 per cent interest in TV-am — thus helping to reduce gearing substantially from the current 125 per cent level.

A number of other divisional appointments have also been made.

See Lex

AMI rises to £5.71m in first quarter

By Vanessa Houlder

AMI HEALTHCARE Group, private medical company, yesterday announced a 44 per cent increase in pre-tax profits from £3.96m to £5.71m for the three months to November 30.

The company described the results as very encouraging. However, it pointed out that the first quarter was always the strongest period, accounting for between 27.5 per cent and 30 per cent of annual operating profits. This was because it was uninterrupted by Christmas, Easter or summer holidays.

Turnover increased by 22 per cent to £32.2m (£26.3m). These results have been presented as if the group, which came to the market last February, had been in its present form since September 1987.

Operating margins were reduced by 1 per cent to 19.1 per cent. This followed a 20 per cent increase in costs that resulted from the nurses' pay award, tempered by an 8 per cent increase in prices and a 2 per cent improvement in efficiency stemming from flexible staffing levels. Margins had improved over the past three quarters.

Turnnver from the acute hospitals and psychiatric activities rose by 20.9 per cent and 61 per cent respectively. AMI, which plans to expand across all sectors, is extending the capacity and range of services in its acute care hospitals.

The company, which raised £31.7m in its flotation, improved its earnings per share by 6 per cent to 5.8p (5.3p).

Luxembourg buy for Warburg Investment

By Eric Short

THE LUXEMBOURG subsidiary of Mercury Asset Management Group, Warburg Investment Management Luxembourg, yesterday announced the acquisition of Aetna Federated International Managers (Luxembourg).

No details were given of the terms of the acquisition.

Mercury Asset, a subsidiary of S G Warburg group, has had an offshore investment operation in Luxembourg for some time, but the adminstration has been handled from its Jersey office.

However, the regulatory requirements of the Luxembourg authorities now insist that the adminstration of funds based in Luxembourg is located in Luxembourg.

Mr Fred Thomas, currently managing director of Aetna Federated International Managers, will continue to he responsible for the day-to-day management of tbe Luxembourg operation and will join the board of Warburg Investment Management.

Luxembourg is already an established off-shore investment centre, and it is widely expected that its importance will grow even further as investment houses use Luxembourg as a base to market funds in Europe.

As such, Mr Thomas feels there will be a growing requirement for adminstrative services from those groups wishing to locate there which Warburg Investment Management Luxembourg is well placed to provide.

The company will continue to provide services for the Luxembourg operations of Aetna International (UK).

London Shop asset value down to 306.4p says Peel

By Vanessa Houlder

PEEL HOLDINGS yesterday fired another salvo in the war of statistics that has erupted over its £282m takeover bid for fellow property company, London Shop.

In a letter to shareholders, Peel argued that contingent tax liabilities reduce London Shop's realisable net asset value per share to 306.4p.

This compared with the findings of a recent revaluation that revealed an open market net asset value of 358p, and a potential disposal value of 390p. Peel is offering 315p per share.

Peel's letter pointed to 14.9p of contingent tax liability on London Shop's property trading and housebuilding activities, together with further tax liabilities on investment properties.

It also described the outlook for the retail property sector as decidedly uncertain.

The letter also said that Richard Ellis' Monthly Index showed a fall in capital values for retail property in December, for the first time since late 1982.

"There is a general consensus that the growth of retail sales in 1989 will be substantially below the levels of recent years," it said.

In response, London Shop said that Peel's use of Richard Ellis' figure was misleading in that it failed to mention that the index was predicting a 15 per cent rise in retail property values in 1989.

Savills lifts interim profits 42% to £3.85m

By Paul Cheeseright, Property Correspondent

IN ITS first set of results since its listing in July 1988, Savills, chartered surveyors and estate agents, lifted interim pre-tax profits by 42 per cent. The pre-tax figure of £3.85m for the six months to last October compared with £2.7m in the same period of 1987.

Earnings per share did not rise proportionately, increasing by 18 per cent from 6.1p to 7.2p, reflecting the greater number of shares in issue.

Shareholders are to receive an interim dividend of 1.125p a share, payable on February 24.

Like other companies in its sector, Savills has been riding the property boom and over the past year has increased its number of employees by 23 per cent to 607.

The pattern of earnings at Savills remains the same as at the time of listing. Nearly 60 per cent of profits come from the commercial property sector, 19 per cent from residential and 22 per cent from agricultural property.

Although the residential market is quieter now, the commercial scene remains active and Savills should continue its profits growth to, perhaps, more than £5.7m for the full year, compared with £4.2m in the year to April 1988.

Powell Duffryn

Powell Duffryn has acquired Metalair, manufacturer of dry bulk tankers,from Blue Circle Industries, for £5.3m cash, which includes £2m intergroup debt.

New Cavendish takes portfolio

By Paul Cheeseright,
Property Correspondent

New Cavendish Estates is taking over the management of the £100m UK property portfolie owned by Noro, the Dutch investment company. Noro-UK Properties owns 53.3 per cent of New Cavendish.

The portfolio is mainly in central London but includes a share of the Forge shopping centre at Parkhead, Glasgow.

Wassall approval

Wassall shareholders have approved its recommended nffer for Hille, with acceptances totalling 94.24 per cent nf the shares to which the offer relates.This has been declared unconditional.

SHARE STAKES

Changes in share stakes which took place recently included:

Delmar Group – NMC International holds 456,350 ordinary (6.48 per cent).

Lanca — Rumel has acquired 435,000 shares (3.7 per cent) at 51p apiece, taking its holding to 1.89m (16.09 per cent). The acquired shares are registered in the names of Citicorp Geneva and Banque Paribas Nederland.

Lowndes Queensway — Provident Mutual Group has become interested in 11.53m ordinary (5.16 per cent). The association holds directly 6.97m, while a further 4.56m are registered in the name of Provident Mutual Management Pension Funds, a wholly-owned subsidiary.

North of Scotland Investment Cempany — Grampian Regional Council has acquired 600,000 ordinary, hringing its holding to 1m (7.45 per cent). The registered holder is NCB Trust.

Regina Health and Beauty Products — NC Lombard Street Nominees has acquired 1.2m ordinary (5.37 per cent). Glyn Mills Nominees (Lombard Street) has doubled its holding to 1m ordinary (4.47 per cent).

Waterglade International Holdings — Scottish Amicable Investment Managers has acquired 200,000 erdinary at 93½p apiece, taking its total holding to 1.27m (5.81 per cent).

PUBLIC WORKS LOAN BOARD RATES

Effective January 5

Years	Quota loans repaid by EPI†	Quota loans repaid Ann††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid Ann††	Non-quota loans A* repaid at maturity§
1			12			12¾
Over 1 up to 2	11⅞	11¾	11⅜	12⅞	12¾	12⅛
Over 2 up to 3	11½	11½	11⅛	12½	12½	11⅞
Over 3 up to 4	11¼	11¼	10⅞	12¼	12¼	11⅝
Over 4 up to 5	11⅛	11⅛	10⅞	12⅛	12⅛	11⅜
Over 5 up to 6	11	11	10⅞	11½	11½	11⅜
Over 6 up to 7	11	10⅞	10¾	11½	11⅜	11¼
Over 7 up to 8	10⅞	10⅞	10¼	11⅜	11⅜	11¼
Over 8 up to 9	10⅞	10⅞	10½	11⅜	11⅜	11
Over 9 up to 10	10⅞	10⅞	10⅜	11⅜	11⅜	10⅞
Over 10 up to 15	10¾	10⅜	9⅞	11¼	10⅞	10⅜
Over 15 up to 25	10	9¾	9½	10½	10¼	10
Over 25	9⅝	9½	9⅜	10⅛	10	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal end interest). § With half-yearly payments of interest only.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- German Sec Inv Tst, Jersey Electricity, Thornton Oriental Income Fund, Travis Perkins.

FUTURE DATES

Interims-

British Telecom	Feb. 15
Cantors	Jan. 10
Cook (DC)	Jan. 19
Dale Electric Int	Jan. 26
Heritage	Jan. 16
Investment Co	Jan. 11
Mosaic Invs	Jan. 26
Shelton (Martin)	Jan. 23
Zetters Group	Jan. 11
Finals-	
Colorvision	Jan. 19
Economic Forestry	Jan. 11
Norsk Data	Jan. 24

BUILDING SOCIETIES

The Financial Times proposes to publish a Survey on the above on

11th February 1989

For a full editorial synopsis and advertisement details, please contact:

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Deted: 6th January, 1989

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6 January 1989

UK COMPANY NEWS

A statistical poser for the figure conscious

Hugo Dixon looks at a prize attraction in the GEC/Siemens bid for Plessey

HOW DO you decide how much a company is worth, when its most recent financial statistics are almost two years out of date?

Answering this question is particularly important in relation to GPT, the 50-50 telecommunications venture between GEC and Plessey. This is because GPT has steadily moved to centre stage in the current bid for Plessey by GEC and Siemens.

On the one hand, access to Britain's telecommunications market would be the main prize of a successful bid as far as Siemens is concerned. In recognition of this, the West German electronics group would receive 40 per cent of GPT following a takeover, instead of the 25 per cent it would get if Plessey's share in GPT was divided equally between itself and GEC.

On the other hand, Plessey is considering selling GPT to a third party, as part of its strategy for escaping GEC's and Siemsns' clutches. The UK electronics company will be publishing its defence document later today.

Up-to-date financial statistics for GPT would help Plessey shareholders decide whether they were being paid enough for its share of the company. They would also enable GEC shareholders to judge whether Siemens was paying them enough to buy the extra 15 per cent of GPT to take its stake to 40 per cent.

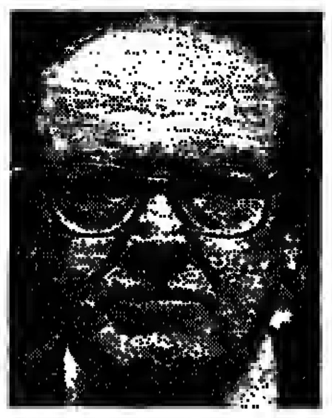
However, the most recent figures for GPT – showing turnover of £1.2bn, pre-tax profits of £160m and net assets of £428m – all relate to the year ending March 1987. These are pro forma accounts for a period before GPT was actually set up.

The best that can be done by somebody wanting to know how the company has fared since then is to take the contribution that telecommunications made to the performance of either GEC or Plessey and multiply by two.

One snag with this approach is that the two companies' figures do not tally exactly; another is that it still fails to prodnce a recent figure for GPT's net assets. Even so, taking Plessey's figures, GPT would appear to have had a turnover of £495m and operating profits of £43m in the half year ending last September.

Mr James Dodd, an electronics analyst at Citicorp Scrimgeour Vickers, says that shareholders "cannot really be expected to make judgements on the basis of very little information." He also claims that the current year is so far advanced that it should be feasible to produce accurate forecasts for profits and the balance sheet to the end of March 1989.

GPT, itself, would like to publish a set of accounts. However, as part of the poison pill agreed by its parents at the time the joint venture was formed, it is not allowed to. Nor is either of its parents able to reveal any information to any outsider about GPT without the agreement of the other party.



Lord Weinstock (left), managing director of GEC, with Sir John Clark, chairman and chief executive of Plessey

The poison pill also gives GEC the option to pre-empt the sale of Plessey's share of GPT to a third party by matching the price.

Most analysts think these provisions will make it almost impossible for Plessey to find a white knight for GPT. Such a white knight would find itself bidding blind in an anction against GEC, which knows GPT intimately.

However, more information about GPT could be revealed, if both GEC and Plessey agreed. Neither company seems anxious to do this, bnt equally both are keen not be seen as the party blocking the release of information.

Plessey says it is neither in favour nor against revealing information because it would "not be a fruitful exercise one way or another". It says that, because GPT was started so recently and is still in the start-up phase, current figures are meaningless. The company's real value, it says, stems from the opening it would give to an international telecommunications company wishing to establish itself in the UK.

GEC, mesnwhile, says: "There is no obstacle to Plessey obtaining a profit forecast for GPT and using it in a profit forecast to its shareholders in the context of the offer."

As far as revealing any other information about GPT, GEC is more coy. "We haven't adopted a position. We'd better see how things develop," says Mr Michael Lester, a GEC director.

Given the absence of information, GEC has had to agree on a complex formula with Siemens to determine how much the German company will pay to boost its share of GPT from 25 per cent to 40 per cent

The calculation starts with Plessey's profits from telecommunications in 1987-88, which are multiplied by two to achieve a notional pre-tax profit figure for GPT.

This post-tax profit figure is multiplied by whataver price-earnings ratio GEC and Siemens eventually have to pay to secure the whole of Plessey, to give a valuation for the whole of GPT.

If the current bid at 225p is successful, the formula would produce a valuation at £1.47bn for the whole of GPT. If GEC and Siemens have to increase their bid to 250p, as some analysts suggest, the implied valuation of GPT would go up to £1.64bn.

Citicorp's Mr Dodd says these figures would seem to be reasonahly fair. However, given the paucity of information and the poorness of GPT's implied results at the interim stage, he says it is "a moot question whether GEC and Siemens will end up paying too mnch."

Fishermen's Petroleum aims to join bigger fry

By Clare Pearson

FISHERMEN'S PETROLEUM, a minnow among the UK's independent oil companies, is hoping to transform itself into bigger fry with the help of Kerr-McGee Oil (UK), a subsidiary of the US natural resources company Kerr-McGee Corporation, which said yesterday that it had increased its stake to 58 per cent.

Kerr-McGee, which has a number of other North Sea interests, said it had pushed its holding up from 28 per cent by acquiring the stake held by Firstland Oil and Gas, the USM-quoted exploration company.

Mr Frank Sharratt of Kerr-McGee said yesterday: "Now that a fellow oil independent is off the shareholders list and our involvement is increased, we are looking forward to helping the company to develop."

Fishermen's, which is currently traded under the Stock Exchange's Rule 535(2), plans to move to the Third Market.

It has held a 3 per cent stake in block 12/16, which is operated hy Kerr-McGee in the inner Moray Firth, since the last licensing round, and hopes to expand its North Sea interests in the coming 11th round.

The increase in its holding means Kerr-McGee must make a full offer for Fishermen's. But it is not its intention to take the company over. The directors have rejected the offer.

The other 150 or so shareholders in the company are almost all, as its name suggests, fishermen in the Moray Firth area. They founded the company eight years ago, in response to the growth of the offshore industry – which caused annoyance abont disruption to fishing.

Rescue offer likely to return March to private hands

By John Griffiths

MARCH, loss-making racing cars and engineering group, is expected to be back in private hands by the middle of next month after less than two years on the Unlisted Securities Market.

In what amounts to a rescue of the troubled concern, Mr Akira Akagi, whose Leyton House industrial property group is March's major grand prix sponsor, plans to make a cash offer of 50p per share for the 38.5 per cent of March's shares not already owned by Leyton House or March's founder, Mr Robin Herd.

The offer puts a £7.5m value on March, which expects to show a pre-tax loss of some £4.5m for its financial year ended last October.

At the end of 1987 March's net assets were shown at £4m. Subsequently it received an injection of £4m as part of a deal in which Mr Akagi took an initial 20 per cent stake. But this year's losses are understood to havs reduced the company's net asset value to between £3m and £3.5m.

The latest offer from Mr Akagi does not extend to the 41.5 per cent of March still held by Mr Herd and his family.

Mr John Cowen, the United Technologies head who replaced Mr Herd as March's chairman in August, said yesterday that its poor results "are very serious and the group will require significant additional funding in order to return to profitability."

This has been promised by Mr Akagi in the form of equity and loan capital upon his offer becoming fully unconditional. Mr Cowen said last night that he expected the offer to have been taken up and completed by mid-February.

The main cause of March's problems is acknowledged to have been the collapse of its Indycar and Formula 3000 racing car manufacturing activities due to competition from rival producers and the adverse movement of the dollar against sterling.

However, Mr Cowen said he believed much of this business could be recaptured, helped by new projects with Porsche and Alfa Romeo, and Mr Akagi's intention to introduce Formula 3000 to Japan.

A return to profitability would also be helped by sales of Formula 3 and other racing cars produced by Ralt, a UK-based company which March bought for £1.25m in October.

"So 1989 should be a turnround year, with a return to profitahility in 1990," Mr Cowen said.

Thorn bond to fund SBK buy

By Norma Cohen

THORN EMI, UK entertainment and electronics group, has, through its Thorn EMI Capital subsidiary, issued a £103m 15-year convertible bond to finance its £187m acquisition of SBK Entertainment World. SBK is the private company that bought the music publishing interests of CBS, US television and entertainment group in 1986.

The bonds carry a coupon of 5¾ per cent and are convertible into preference shares of the parant company. The shares rank along with subordinated debt in the event of a break-up of the company.

The bonds contain put options in the fifth and 10th years respectively, both yielding 10.78 per cent, equal to the current yield on the 10 per cent UK government stock dne in 1994.

There is an option to increase the yield to the 10-year put if other market interest rates rise.

This is to discourage investors from putting their bonds in the fifth year.

There are no negative pledge or pari passu clauses in the securities.

Bejam accepts defeat

By Philip Coggan

THE BEJAM board, and the founding Apthorp family, yesterday accepted defeat at the hands of rival retailer Iceland Frozen Foods and advised shareholders to accept ths Iceland bid or to sell their shares in the market.

The Apthorp family intsrests, amounting to 29.6 per cent of Bejam's equity, were sold in the market at 165p per share on January 3. The Iceland offer currently values each Bejam share at 177p and the whole group at £224m.

When the Iceland offer closed on December 30, it owned or had acceptances of 50.1 per cent of Bejam's equity.

Wardle holds Armstrong terms

By Clare Pearson

INDICATIONS from Wardle Storeys yesterday suggested it was extremely unlikely that the plastic products and security equipment group would be increasing its £82m hostile offer for Armstrong Equipment before tomorrow's deadline.

Mr Brian Taylor, Wardle chief executive, declined to make a binding statement on his intentions but said: "The recent defence document indicates a disturbing and disappointing situation in Armstrong. We see no justification for any increase in our offer."

He was speaking as Wardle dispatched its reply to the second defence document sent by Armstrong, motor components and industrial fasteners group, at the weekend.

This included a profits forecast for the current year of £8.5m, at least £1.5m below City expectations.

Mr Taylor said this document showed that the task his company would face if it succeeded in taking over Armstrong would be larger than had previously been thought.

Armstrong's shares, valued at 155p under the share-and-cash offer, slipped 2p to 161p.

Mr Taylor said he found it hard to see how Armstrong could make £8.5m – a 49 per cent increase – by the end of the year to July 1 when profits were 18 per cent down at the interim stage, and he was disappointed to see that price increases at the key York shock absorber factory were only being negotiated, not implemented.

Caparo Industries, the engineering group known to have a 9.5 per cent stake in Armstrong, is believed to have acquired further shares, pushing its stake to around 10 per cent.

Mr Taylor said he believed Caparo was "playing the arbitrageur's game" and had no intention of coming up with a counter-offer.

Dutch buy for Unigate

By Vanessa Houlder

UNIGATE, food, dairy and distribntion group, yesterday announced the acquisition of Spronsen, a Dutch distributor of flowers, produce and perishable foodstuffs.

Mr John Worby, Unigate finance director, said that the deal was expected to exploit the "exciting prospects" arising in the distribution market after 1992. The Netherlands was a good starting point for expansion on the continent as its distribution skills were well developed and it served as the hub for a large geographical area.

Spronsen, which operates from eight locations in The Netherlands with other bases in Belgium, France, Spain and Sweden, operates a fleet of 100 temperature-controlled vehicles. The company will become part of Unigate's Wincanton distribution group.

The sum involved was described as not material in the context of Unigate as a whole.

Blue Circle sells three offshoots for £11.5m

By David Waller

Blne Circle Industries, the UK's largest cement manufacturer, has sold three small suhsidiaries for a total of £11.5m. The move is part of its strategy of concentrating resources on the core activities of building materials and home products.

Metalair, a leading UK producer of road tankers for the distribution of powdered and granular prodncts, is being sold to Powell Duffryn. In addition the Vialit bitumen companies in West Germany and Austria are being sold, and Thameside Trucks, the truck franchise and repair business.

Collectively, these businesses contributed £1.45m to BCI's 1987 pre-tax profits, which amounted to £155m.

Lyonnaise open to offers for Bristol Water stake

By Andrew Hill

LYONNAISE DES Eaux, a French water supplier, may be prepared to sell its 18 per cent stake in Bristol Waterworks Company if it receives the right offer, raising the possibility of a bid for the UK group.

Compagnie Génerale des Eaux, Lyonnaise's rival, holds 29.9 per cent of the voting capital in Bristol, and would have to mount a bid if its holding increased. Bristol is one of the four largest ststutory wster companies in the UK, and its voting stock is worth just under £35m.

However, any offer could be complicated by the restrictive voting rights at Bristol, which limit shareholders to a maximum of 20 votes irrespective of the size of their holding.

Mrs Christine Morin-Postel, chairman of Lyonnaise UK, which manages the French group's Britisb investments, said yesterday that the Bristol stake was passive and could be sold to offset the cost of the group's other investments in the sector. "I think we have spent enough money."

The group already controls two UK companies – Essex and East Anglian – and agreed bids for Newcastle and Gateshead and Sunderland and South Shields water companies close next Wednesday.

If those bids are successful, Lyonnaise will have invested about £130m in the UK since June, becoming the sixth largest water supplier in the country in terms of population.

Elswick property disposal

By Vanessa Houlder

ELSWICK, the cycles, lawnmowers and packaging group, yesterday announced a property deal that would raise £4.8m to help finance its expansion programme.

It inteods to release funds invested in six properties by a sale and leaseback agreement with Maronkemp, a private property company.

The properties will be leased back to the group on 25-year leases st an initial annual rent of £580,000.

The payment for the properties exceeds their book valne by about £1m.

No corporation tax will be paid due to previous capital losses.

Elswick, which recently returned to the black after six years of losses, said it was pursuing an active acquisitions policy.

Last month, it acquired two Californian companies engaged in marketing agricultural mowing machinery and professional grass-cutting equip ment.

CORRECTION

FNFC

Earning assets of First National Finance Corporation increased by about £300m in the year to October 31 1988. The figure was incorrectly stated in yesterday's edition.

West Hampshire Water in talks with possible suitor

By Andrew Hill

WEST HAMPSHIRE Water Company is in tentative discussions which could lead to a bid.

However, the talks are spparently at an early stage and there are unlikely to be further developments for at least two weeks.

The most likely suitor is Biwater, a private UK water contractor which owns 25.2 per cent of West Hampshire and 22.8 per cent of Bournemouth and District Water Company.

West Hampshire issued a standard holding announcement yesterday saying it had had an approach "which might or might not lead to an offer". Biwater, however, said it had not made an offer.

If a bid were launched, West Hampshire would become the 14th of 29 statutory water companies to have received a bid.

In March, Biwater launched the first agreed bid in the water industry's private sector, gaining control of East Worcestershire Waterworks through a joint venture with the statutory company's management. Since then, three French water suppliers have launched recommended offers for a further 12 companies in the sector.

● Southern Water Authority and Associated Insurance Pension Fund, a vehicle for Mr Duncan Saville, an Australian investor, said yesterday that they intended to make an announcement early next week about the possibility of takeover bids for water companies in Southern's area of supply.

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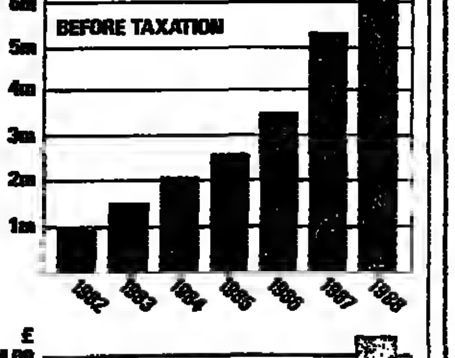

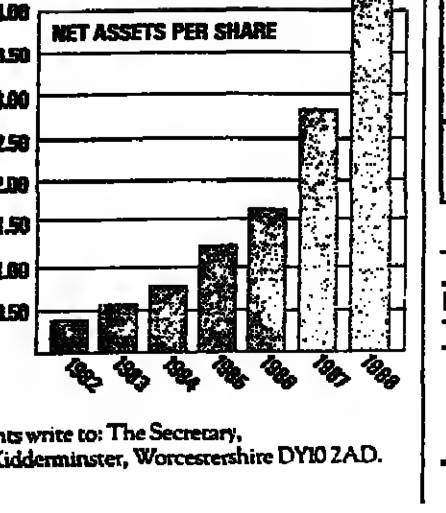

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300	186	Ass. Brit. Ind. CULS	300	+2	10.0	3.3	-
42	25	Armitage and Rhodes	32	0	-	-	-
57	30	BBB Design group (USM)	30	0	2.1	6.8	4.8
173	156	Bardon Group (SE)	160	0	2.7	1.7	27.4
117	100	Bardon Group Cv. Pref. (SE)	110	+1	6.7	6.1	-
148	103	Bray Technologies	110	0	5.2	4.7	7.9
114	100	Brensall Conv. Pref	110	0	11.0	10.0	-
287	246	CCL Group Ordinary	285xd	+1	12.3	4.3	4.3
170	124	CCL Group 11% Conv. Pref	169	0	14.7	8.7	-
154	129	Carbo Plc (SE)	140	0	6.1	4.4	12.2
113	100	Carbo 7.5% Pref (SE)	109	0	10.3	9.4	-
355	147	George Blair	335	0	12.0	3.4	7.8
119	60	Isis Group	119	0	-	-	15.7
118	87	Jackson Group (SE)	115xd	0	3.3	2.9	12.7
287	245	Multihouse NV (AmstSE)	266	-4	-	-	-
119	40	Robert Jenkins	107	0	7.5	7.0	4.0
430	124	Scruttons	406	0	8.0	2.0	16.9
280	194	Torday & Carlisle	275	0	7.7	2.8	13.3
100	100	Torday & Carlisle Conv Pref	100	0	10.7	10.7	-
98	56	Trevian Holdings (USM)	94xd	+2	2.7	2.9	10.1
113	100	Unistrut Europe Conv Pref	108	0	6.0	7.7	-
356	350	Vinterstay Group Co. Plc	356	0	22.0	6.2	9.4
353	203	W.S Yeates	353	+1	16.2	4.6	67.9

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COMMODITIES AND AGRICULTURE

Potato industry divided on marketing

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S POTATO growers and processors appeared deeply divided yesterday over government proposals to end official support for the Potato Marketing Board, the body which controls production through acreage quotas.

In September, the Ministry of Agriculture gave notice that it would not provide funds for the organisation of the country's potato market after 1991. It then asked for views on what, if any, measures should replace those now in force.

Yesterday, the Potato Processors' Association, which buys about 30 per cent of the 6m to 7m tonne annual crop, responded by declaring in favour of a free market in potatoes, relegating the board to an advisory and research role.

However, the board itself, in its submission to the ministry, has argued for a continuation of the present system, albeit with greater representation by the industry as a whole, which would take over responsibility for financing the board.

In its September paper, the ministry suggested three alternatives to the present arrangements: abolition of the board; abolition of the controls on acreage of potatoes grown; or a variant of the present system with industry-wide funding.

The Government's move generated controversy, coming at a time when other monopoly marketing arrangements – notably for milk and wool – are also under scrutiny. The UK is the only European Community country to give extensive support to markets through marketing boards.

The Potato Processors' Association, which claims to represent manufacturers of more than 96 per cent of all potatoes products processed in the UK, said that if the industry was to remain viable in an increasingly competitive EC market it had to reduce costs, increase efficiency and improve quality. This needed a free market.

However, the PMB wants arrangements similar to the present ones, with acreage controls, production quotas and a system of intervention of support buying in times of surplus. To meet the Government's new requirements, it suggests a new governing body which would involve producers, processors and consumers to take independent control of the powers now delegated to the board from the Government.

Both sides of the industry now expect to open formal consultations with the ministry. A government decision followed by legislation is expected later this year.

Australia on course for record wool production

By Chris Sherwell in Sydney

AUSTRALIA, THE world's biggest producer and exporter of wool, will produce a record amount in the current year to June 1989, official figures confirmed yesterday.

Forecasts from the Wool Production Forecasting Committee, published by the Federal Government's Bureau of Statistics, showed total wool production would be just short of 938,000 tonnes, up 2.6 per cent on the previous year. Shorn wool production would be 871,200 tonnes, up 3.4 per cent, also a record.

The forecasting committee's projections are regarded as the most reliable available because it includes representatives from the Australian Wool Corporation, the Wool Council, the Bureau of Agricultural and Resource Economics, and associations of wool brokers and wool merchants. Its forecasts are for "greasy" wool.

Ironically, while its figures show that wool production has never been higher, the total availability of Australian wool this year is actually expected to be lower than in 1987-88 because of the depletion of the Wool Corporation's stocks.

Yesterday's figures also put total Australian sheep and lamb numbers at 161.8m, up 3.6 per cent, a level exceeded only in 1968-69 and 1969-70. A total of 190.5m are expected to be shorn, with an average cut per head of 4.57 kg, higher than in any previous year.

Wool prices so far this season have been encouraging. The first half closed on a strong note in mid-December, with the market indicator finishing at 965 Australian cents a kilogram (clean) for an overall average of 1,022 cents, 17 per cent above the equivalent period of 1987-88. The second half of the season is due to open next week.

Looking ahead, the Government's Bureau of Agricultural and Resource Economics has forecast an annual increase of three per cent in Australia's total wool production over the period to 1993-94, to reach 1.09m tonnes.

Taking into account production trends in South Africa, Argentina, the Soviet Union and New Zealand, it expects a decline in average wool prices of more than 15 per cent in real terms over the same period as supplies rise faster than demand. Prices for finer Merino wool, a key element in Australia's clip, are expected to show the smallest decline.

New Zealand looks forward to stronger market

Dai Hayward examines the reasons for growers' increased optimism despite last year's problems

IN SPITE of industrial unrest, political uncertainty rising interest rates, and doubts over the value of the US and NZ dollars, which caused sales of New Zealand wool to end 1988 on a hesitant note, the country's wool industry is confident that the price will bounce back strongly this year.

There is good reson for this optimism. The national clip will be down 3.5 to 4 per cent this season – thus putting pressure on supplies in the earlier part of 1989.

In addition there will be less wool than usual on offer in the first few months of the new year.

Changed shearing patterns and adverse weather in sheep growing areas of both the North and South Islands has meant the volumes are flowing into auction sales about one month earlier than usual. This will mean much less wool on offer in February and March than in previous seasons.

The disastrous Canterbury-Otago drought, which is officially estimated to have cost the country NZ$400m, has reduced the quality and quantity of wool available. In addition thousands of sheep have been slaughtered or have died because of the drought.

There will be no fine wools left for auction sales in the early 1989 sales – all available stocks were sold by mid-December.

The NZ Wool Board, which again did not hesitate to step in and bid to support prices, finished the year as a net seller. Although it still has about 60,000 bales in the stockpile it will only feed this back onto the market in quantities which do not depress prices.

The board acquired about 10 per cent of the wool passing through the auction ring in the past six months although it bid on a much greater volume. It was forced to buy larger quantities in November-December sales when buyers held back because of strikes in New Zealand ports and in wool brokerage stores which held up shipping.

Some buyers had bought and paid for wool they could not deliver. Others were faced with high interest and storage charges when half their consignments were held up in Europe waiting for the remainder, which was stranded on strike-bound ships.

Buyers were understandably reluctant to buy more until the industrial problems were resolved, and that put pressure on the board. At the Dunedin sale in late November, for example, it bid for 44 per cent of the offering and was left to buy 21 per cent.

The uncertainty over the market was reflected in hesitancy and weakening prices towards the end of the year. Wool cargoes started moving again in December after the end of the port strike.

Market intelligence indicates demand for wool will be strong in the early months of the new year. China, a major buyer throughout the early months of the season, stood aside from the market in October and early November, but came back towards the end of the year with forward buying orders for early in the new year.

China is holding its strong position as New Zealand's major wool customer and is expected to buy at least 35 per cent of this seasons clip. Japan and the UK remain the other main buyers.

Some buyers, anticipating a weakening in prices, held back in the closing months of the year hoping to buy at the bottom of the market. With recovery expected early in 1989 they will be looking to fill their order books before prices rise and this too should help to firm up prices for good quality wool.

The future value of the US and NZ dollars will have a major effect on New Zealand wool prices during the first six months of 1989, however. Although the NZ dollar has moved downward during the past eight months it has not dropped against the US dollar as much as many expected and it has held its own against sterling.

Uncertainties over the currency value and the availability of wool supplies in the auction room in the January-March period are the main concerns of the NZ Council of Wool Exporters. Pointing to the big increase in sales and shipment tonnages over the last six months of 1988 the council has called on the Wool Board to make an urgent survey of growers to get a better understanding of the likely supply situation.

New Zealand wool is also expected to benefit from recent technical developments which have given wool fabrics a greater range of finishes and weights, thus widening their appeal and competitiveness in the international garment market. This will help move more wool into the higher-priced fashion trade.

The Wool Board recently heard a report on research and techniques using coarser wools in lighter weight garments and in blending wool with mohair and silk to produce new types of fabric aimed at the fashion world.

These new techniques will help wool to maintain its strong position in the men's suiting market by creating lighter weight materials for hotter climates and seasons.

More immediately, however, the price for New Zealand wool in the early months of 1989 will be determined by the increased demand expected in the auction ring, falling supplies from the country's declining sheep flock, a drop in production this season to 350,000 tonnes and the uncertain value of the US dollar.

Poland plans to reduce coal sales

By Christopher Bobinski in Warsaw

POLISH COAL sales to hard currency markets this year are due to fall to 12m tonnes from 17.5m tonnes in 1988, according to the country's annual plan, published here yesterday. Sales to Comecon customers should remain stable at 14m tonnes but the cut in the hard currency share means that exports this year will be the country's lowest since 1981.

With the value of hard currency exports at a whole this year due to rise by 11 per cent to $9.1bn, the decision to cut coal sales to the West marks a major shift away from coal, which in the past has been the dominant hard currency earner.

This year's polish coal production figure of 191.5m tonnes is 1.5m tonnes down on last year's while domestic industrial consumption is due to rise by 1.7m tonnes. At the same time the planners have decided to build up a 2.5m tonne reserve.

This year too Poland's planning to spend $340m on 2.8m tonnes of oil on western markets compared with the 2.2m tonnes of oil which was imported for hard currency in 1988.

The level of oil imports from the Soviet Union, which reached 12.7m tonnes in 1988, remains unchanged this year.

India hails 'spectacular' success of oilseeds drive

By K.K. Sharma in New Delhi

MR BHAJAN LAL, India's Minister of Agriculture, yesterday hailed the "spectacular" success of the Government's drive to boost the country's production of oilseeds.

He said output was expected to reach a record 15.5m tonnes in 1988-89, leading to a fall in spending on cooking oil imports from an average of Rs 10bn (£370m) a year in the last few years to Rs 5bn this year and Rs 2.5bn next year.

In view of the improved situation, the Government has decided to launch a procurement drive by its purchasing agencies and build up buffer stocks of both oilseeds and cooking oil, which are regarded as essential items in India, where most food is fried.

Mr Lal said procurement would begin immediately and the Government had provided Rs 150m for this purpose during the current marketing season. The responsible procurement agency will be the National Dairy Development Board. No target has been fixed, but Mr Lal said the Government hoped to build up a stock of at least 500,000 tonnes of cooking oil, roughly 300,000 tonnes coming from indigenous production.

One of the main reasons for building the buffer stocks is the rise in the cost of cooking oil in the past year, although Mr Lal claimed that the rise was "reasonable" and necessary for the supply of essential goods at fair prices for both farmers and consumers.

India's main source of supply of cooking oil is Malaysia, but if production of oilseeds continues to increase, as planned, imports will be drastically reduced in the next two or three years. Priority is being given to oilseeds production because of the drain of scarce foreign exchange on account of the imports.

Soviet chartering drives freight futures higher

By David Blackwell

DRY CARGO freight futures for April broke through the 1,700 point level yesterday for the first time since last March on the Baltic International Freight Futures Market.

The market is being driven by a shortage of ships following a big increase in Soviet grain charters. "The Russians are going for every type of ship," said one broker.

In addition, the tanker sector is busier than for some time, and all ships which can carry either oil or dry cargo are committed to the oil market.

The surge in the contract, which ended last year at 1,556 points, has come early this year, according to Mr James Gray, of GNI. "There is a lot of optimism in the market," he said.

The Baltic Freight Index (BFI) on which the futures contracts are based rose 2 points yesterday to 1,555 – way behind the futures prices and a much smaller rise than had been expected. On March 18 last year, when the April contract closed at a record 1,740, the BFI stood at 1,630 points.

Brokers disagree on the reasons why the index, which reflects the spot market, is so far behind. Some believe that the market is overbought, and due for a correction unless the index rises rapidly.

But Mr Ian Bland of Clarkson Wolff said the market would continue to rise, and attributed the differential to the fact that the index is based on voyage charters, while most of the trade at the moment is in time charters. A voyage charterer pays by the tonne carried, while a time charterer hires a ship by the day.

"At the moment everyone is doing everything on time charter," he said. "It's a well-known method for a charterer to disguise what he is really paying."

Israeli diamond traders celebrate sparkling sales

By Laura Blumenfeld in Jerusalem

ISRAELI DIAMOND merchants are celebrating 1988 trade figures, released this week, which report record exports of polished diamonds worth a total of US$2.55bn, compared with $2.06bn in 1987.

Officials at the Israel Diamond Exchange predict that the returns on diamond exports, Israel's leading commercial source of foreign currency, will continue to grow in 1989.

The appreciation of the Japanese yen in comparison with the US dollar and growing demand for jewellery in the Far East are cited as the major reasons for increased diamond exports.

The Far East took 35 per cent of Israeli diamond exports in 1988, making it the country's second biggest customer after the US, which accounted for 43 per cent of sales. Another 20 per cent went to Western Europe.

Mr Moshe Schnitzer, president of the Israel Diamond Exchange, said this week, sales, which represented a 23 per cent increase from 1987, made up roughly a third of the country's industrial exports.

Their added value of 22 to 25 per cent amounted to $600m, after deducting the cost of rough stones, imported mainly through the London-based Central Selling Organisation, a subsidiary of the De Beers group.

Despite the record-breaking sales, Israel's cutting and polishing industry, located in the Tel Aviv suburb of Ramat Gan, is suffering from a tightening squeeze on its profit margins. According to the Israeli press, diamond manufacturers owe a total of $370m to Israeli banks, and may be forced to limit the scope of their activity because of sky-high domestic interest rates.

Venezuela lifts petroleum products prices

By Joe Mann in Caracas

VENEZUELA raised prices for 12 petroleum products with effect from January 2.

Customers of Venezuela's state-run oil company, Petroleos de Venezuela, were notified that posted-prices had been increased for leaded and lead-free gasoline, naphtha, jet fuel, kerosene, fuel oil, propane, butane and isobutane.

Last year the company exported an average of 1.62m barrels a day of crude oil and refined products, with most of its shipments going to markets in the US.

In recent years Venezuela has increased refining and export sales of higher-value, light products while reducing production levels of lower-value items such as residual fuel oil.

Petroleos de Venezuela plans to produce 1.64m barrels a day of crude oil this year and to export an average of 1.50m b/d.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER, zinc and nickel all continued their bull runs in morning trading, before retreating in the afternoon. Copper and nickel closed near the day's lows as profit-taking emerged. Traders said the copper market remained bullish, however, although some price correction was to be expected as big players sought to establish fresh positions at lower levels. In the zinc market, operators were wary of a possible downwards correction soon. Aluminium prices weakened, the market coming under pressure as chart suppon levels were breached. Chart inspired selling also took cocoa prices down. In contrast, coffee prices closed around the day's highs as moderate mixed buying emerged, with traders bcecoming increasingly concerned about nearby supply tightness.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.35-3.45w	-.175
Brent Blend	$16.85-6.95	+0.25
W.T.I. (1 pm est)	$17.22-7.25w	-0.13
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$170-173	-1
Gas Oil	$157-158	
Heavy Fuel Oil	$75-75	-1
Naphtha	$152-154	+3
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$407.75	-2.00
Silver (per troy oz)♣	596c	-3
Platinum (per troy oz)	$523.5	-6.9
Palladium (per troy oz)	$131.75	-1.25
Aluminium (free market)	$2505	-90
Copper (US Producer)	157⅝-163c	
Lead (US Producer)	41¼c	
Nickel (free market)	860c	+5
Tin (European free market)	£4177.5	+32.5
Tin (Kuala Lumpur market)	19.88r	-0.01
Tin (New York)	344.88c	-0.75
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	114.36p	-1.07*
Sheep (dead weight)†	156.26p	-10.9*
Pigs (live weight)†	75.94p	-6.47*
London daily sugar (raw)	$261.4u	+0.6
London daily sugar (white)	$281u	+3
Tate and Lyle export price	£253.5	+1.5
Barley (English feed)	£115.25w	
Maize (US No. 3 yellow)	£132	
Wheat (US Dark Northern)	£123.75w	+5.00
Rubber (spot)♥	57.5p	+1.5
Rubber (Feb)♥	63.75p	+1.25
Rubber (Mar)♥	64.00p	+1.25
Rubber (KL RSS No 1 Jan)	291.0m	+1.5
Coconut oil (Philippines)§	$555u	-5
Palm Oil (Malaysian)§	$382.5w	
Copra (Philippines)§	$370	
Soyabeans (US)	$193	+5
Cotton "A" index	61.35c	-0.35
Wooltops (64s Super)	665p	+10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Jan/Feb. q-Dec. x-Jan/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	858	864	861 852
May	869	885	879 862
Jul	875	888	883 867
Sep	860	900	864 870
Dec	887	912	900 887
Mar	907	922	910 899
May	925	940	920

Turnover: 8326 (3775) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 4: 1153.12 (1152.09); 10 day average for Jan 5: 1141.13 (1136.13).

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1246	1226	1250 1215
Mar	1234	1225	1240 1210
May	1209	1210	1220 1200
Jly	1200	1205	1214 1205
Sep	1200	1203	1214 1205
Nov	1210	1225	1205 1205
Jan	1215	1225	1210 1207

Turnover:4041 (6550) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 4: Comp. daily 136.66 (138.88); . 15 day average 129.67 (126.46).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	231.00	236.00	236.00 226.00
May	230.60	235.00	235.20 227.80
Aug	225.60	228.60	227.00 223.00
Oct	222.00	224.80	224.60 220.00
Dec	219.00	218.40	217.00
White	**Close**	**Previous**	**High/Low**
Mar	272.00	276.00	276.00 270.00
May	268.50	273.00	272.50 267.00
Aug	268.50	272.60	273.50 268.00
Oct	263.00	265.00	267.50 261.00
Dec	261.00	263.50	
Mar	260.00	260.50	262.50 261.00
May	258.00	260.50	262.00

Turnover: Raw 4015 (4257) lots of 50 tonnes. White 2074 (1197).
Paris- White (FFr per tonne): Mar 1660, May 1639, Aug 1645, Oct 1609, Dec 1660, Mar 1595

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2350	189	158	68	157
2450	138	143	106	211
2550	89	106	163	273
Copper (Grade A)	**Calls**		**Puts**	
2900	433	348	84	242
3100	306	260	155	348
3300	208	190	253	473

FRUIT AND VEGETABLES

New crop Jaffa oranges are now available at 25p each, reports FFVIB. Other new arrivals include cape sultana £2.00-2.50 a lb and USA red emperor grapes 80-95p. Lychees are more plentiful this week £1.80-2.30 (£2.00-2.50) while the prices of cox's apples 35-65p and bananas 40-58p remain stable. Homegrown vegetables remain abundant with brussels spouts 15-27p, potatoes 9-12p whites, 12-18p reds and cabbage 14-25p. Cauliflowers are now 55-80p each (45-65p a lb) but parsnips 20-40p a lb and swedes 15-20p are unchanged. All salad prices remain the same with tomatoes 40-65p, spring onions 25-45p a bunch, cucumbers 50-80p each, iceburg lettuce 60p-£100 each and watercress 30-40p a bunch.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,400 tonne
Cash	2470-80	2556-65	2502	2500-2		
3 months	2435-40	2502-5	2465/2410	2480-2	2410-5	23,025 lots
Copper, Grade A (£ per tonne)						Ring turnover 28,250 tonne
Cash	1937-42	1947-52	1967/1935	1967-8		
3 months	1782-3	1786-7	1803/1780	1796-7	1789-90	87,266 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	593-5	595-8		590-2		
3 months	606-8	608.5-12.5		603-5		467 lots
Lead (£ per tonne)						Ring turnover 4,625 tonne
Cash	385-7	391-3	389/386	398-9		
3 months	385-5.5	389-90	392/385	387-7.5	385-6	8,900 lots
Nickel ($ per tonne)						Ring turnover 1,674 tonne
Cash	18500-700	19300-400		19000-200		
3 months	17000-200	17950-8000	18409/17200	17700-800	17250-300	5,310 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 2,150 tonne
Cash	1670-5	1680-90	1695/1667	1680-5		
3 months	1640-2	1625-30		1645-50	1640-50	2,313 lots
Zinc ($ per tonne)						Ring turnover 12,750 tonne
Cash	1670-5	1675-80	1685	1681-3		
3 months	1616-8	1600-5	1635/1610	1612-5	1618-20	11,489 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	65.0	65.0	
Apr	82.3	83.5	52.0 31.9
May	97.7	96.7	96.0 97.0
Nov	86.0	85.5	

Turnover 464 (565) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	174.00	172.00	173.50
Apr	176.00	174.00	175.60 172.60
Jun	171.00	169.50	170.50
Aug	162.00	160.00	161.00

Turnover 184 (60) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1625	1615	1628 1607
Feb	1680	1670	1683 1668
Apr	1705	1695	1710 1690
Jul	1465	1455	1500 1483
Oct	1585	1575	1585 1580
Jan	1590	1570	1590 1586
BFI	1555	1553	

Turnover 1022 (1143)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	112.70	112.30	112.70 112.80
Mar	115.65	116.30	115.70 115.65
May	118.65	118.70	118.90 118.50
Jun	120.20	120.20	120.20 120.00
Sep	102.55	102.60	102.55
Nov	105.05		105.05
Jan	108.00		108.00
Barley	**Close**	**Previous**	**High/Low**
Jan	108.30	108.30	108.35 108.30
Mar	111.45	111.60	111.55 111.45
May	113.50	113.80	113.50
Sep	99.90		99.90 99.85

Turnover: Wheat 228 (109), Barley 45 (175).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	407½-408	229¼-227¼
Opening	409-409½	226-226½
Morning fix	408	225.914
Afternoon fix	407.25	226.25
Day's high	409¼-409¾	
Day's low	406¾-407¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	419-424	233-236
Britannia	419-424	233-236
US Eagle	419-424	233-236
Angel	418½-423½	232¼-235½
Krugerrand	405½-409½	226-228
New Sov.	96-97	53¼-54
Old Sov.	96-97	53¼-54
Noble Plat	536.4-543.4	298.35-300.2
Silver fix	**p/fine oz**	**US cts equiv**
Spot	330.25	595.75
3 months	340.90	609.45
6 months	351.50	623.60
12 months	372.95	654.35

CRUDE OIL $/barrel

	Close	Previous	High/Low
Feb	15.88	16.00	15.98 15.75
Mar	15.47	15.56	15.55 15.36
Apr	15.23	14.45	15.25 15.20
IPE Index	15.91	15.76	

Turnover: 5883 (5473)

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	153.00	156.25	153.75 152.50
Feb	149.50	152.25	150.75 148.75
Mar	144.75	147.25	145.75 144.50
Apr	139.00	142.25	140.75 138.50
May	134.25	137.00	135.75 133.50
Jun	133.25	135.00	133.75 132.50
Jul	134.00	135.50	134.25 133.00

Turnover 8161 (8492) lots of 100 tonnes

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	407.9	408.7	0	0
Feb	410.1	411.0	410.7	409.2
Mar	412.6	413.6	0	0
Apr	415.5	416.3	416.0	414.6
Jun	420.8	421.6	421.0	419.7
Aug	426.3	427.1	426.2	425.0
Oct	431.9	432.7	432.5	431.5
Dec	437.7	438.6	438.0	436.3
Feb	410.1	411.0	410.7	409.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	523.5	522.9	525.0	521.0
Apr	522.8	522.4	525.0	516.0
Jul	522.0	521.9	524.0	310.0
Oct	522.3	521.9	524.0	520.9
Jan	524.3	523.9	0	0
Apr	526.3	527.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	596.5	593.7	597.0	597.0
Feb	600.0	597.5	0	0
Mar	605.0	602.5	607.0	603.0
May	615.2	612.6	616.5	613.5
Jul	626.0	623.3	626.0	623.5
Sep	636.4	633.7	637.0	635.0
Dec	651.8	649.1	652.5	652.0
Jan	656.0	653.3	0	0
Mar	667.2	664.5	0	0
May	678.2	675.5	680.0	680.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	155.00	158.00	158.00	155.00
Feb	148.00	150.00	150.00	150.00
Mar	141.00	142.60	144.50	140.40
May	129.70	131.40	132.70	129.60
Jul	124.70	126.40	127.50	125.00
Sep	121.70	123.00	124.50	122.50
Dec	118.00	119.00	119.80	118.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	17.33	17.08	17.33	17.13
Mar	16.75	16.58	16.80	16.60
Apr	16.44	16.28	16.45	16.30
May	16.21	16.10	16.23	16.11
Jun	16.09	15.99	16.12	15.97
Jul	16.00	15.91	16.00	15.90
Aug	15.93	15.86	15.93	15.93
Sep	15.88	15.81	15.89	15.88
Oct	15.83	15.75	15.83	15.80

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5320	5266	5330	5225
Mar	5015	4967	5025	4945
Apr	4715	4667	4720	4665
May	4480	4437	4500	4465
Jun	4385	4347	4400	4380
Jul	4345	4302	4360	4340
Aug	4410	4352	4410	4410
Sep	4455	4422	4455	4455
Oct	4525	4492	4550	4525

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1433	1513	1482	1430
May	1438	1502	1474	1432
Jul	1440	1500	1475	1435
Sep	1446	1500	1472	1445
Dec	1451	1500	1472	1450
Mar	1455	1508	1483	1455
May	1470	1523	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	162.97	160.13	164.00	158.55
May	156.19	155.06	157.00	152.00
Jul	152.50	152.00	153.50	149.50
Sep	149.75	149.50	150.50	146.00
Dec	147.50	147.25	0	0
Mar	146.25	146.00	0	0
May	148.25	148.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.19	10.46	10.42	10.16
May	10.16	10.35	10.30	10.05
Jul	9.95	10.11	10.07	9.85
Oct	9.75	9.87	9.86	9.68
Jan	8.83	8.95	0	0
Mar	9.54	6.62	9.62	9.41
May	9.40	9.53	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	58.13	58.13	58.13	58.55
May	58.19	58.19	58.19	58.75
Jul	58.20	56.20	58.20	56.86
Oct	57.85	55.85	57.85	56.00
Dec	57.50	56.60	57.50	56.10
Mar	57.25	55.25	57.25	57.25

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	156.10	155.70	156.25	155.45
Mar	156.05	156.75	156.35	155.30
May	155.20	154.85	155.30	154.70
Jul	155.00	154.50	155.00	154.50
Sep	154.50	153.65	154.50	154.05
Nov	152.45	151.95	152.00	152.00

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	813/0	316/0	820/0	311/4
Mar	824/2	827/0	832/4	822/0
May	833/6	838/2	842/0	833/0
Jul	838/6	841/4	847/0	836/4
Aug	829/0	829/0	835/0	826/0
Sep	780/4	779/0	787/0	777/0
Nov	741/4	741/2	750/0	736/0
Jan	752/4	750/0	758/0	748/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	22.75	22.63	22.78	22.50
Mar	23.11	22.97	23.21	22.90
May	23.61	23.46	23.71	23.40
Jul	24.09	23.90	24.16	23.86
Aug	24.12	23.90	24.30	24.00
Sep	24.25	24.07	24.35	24.05
Oct	24.30	24.12	24.35	24.25
Dec	24.30	24.10	24.45	24.10

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	264.7	266.1	267.5	264.1
Mar	265.8	267.6	269.0	265.2
May	263.7	265.7	267.0	263.5
Jul	260.2	262.2	263.5	260.0
Aug	254.0	256.5	257.0	254.0
Sep	244.3	245.5	247.0	243.8
Oct	231.2	231.0	233.0	230.0
Dec	226.0	225.0	227.5	225.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	286/6	283/4	288/4	283/2
May	292/6	289/0	293/4	288/6
Jul	296/0	292/6	296/6	291/6
Sep	284/6	283/6	285/0	281/0
Dec	279/2	276/0	279/6	275/2
Mar	296/0	285/2	288/4	282/4
May	289/4	289/2	289/4	286/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	446/2	447/2	448/6	444/4
May	435/2	434/4	436/2	432/0
Jul	400/2	401/0	401/4	397/6
Sep	403/2	403/0	404/6	401/0
Dec	412/4	412/0	412/6	410/0
Mar	414/0	0	414/0	414/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	73.45	73.42	74.02	73.35
Apr	75.60	75.42	76.05	75.30
Jun	73.85	73.80	74.40	73.75
Aug	71.52	71.42	71.95	71.35
Sep	71.10	71.00	71.20	70.96
Oct	70.60	70.55	71.10	70.50
Dec	71.50	71.80	71.90	71.50

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	46.95	46.47	47.07	46.65
Apr	45.95	45.52	46.00	45.53
Jun	49.92	49.45	49.95	49.62
Jul	50.07	49.52	00.10	49.75
Aug	49.17	48.75	49.25	48.95
Oct	45.00	44.92	45.35	45.00
Dec	46.60	46.50	46.70	46.50
Feb	45.95	45.10	46.40	45.95

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	44.35	43.45	44.55	43.85
Mar	45.05	44.02	45.10	44.45
May	46.70	45.62	46.77	46.20
Jul	47.60	46.87	47.87	47.20
Aug	46.95	46.47	47.20	46.65
Feb	00.87	60.07	60.87	60.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 4	Jan 5	mnth ago	yr ago
1966.0	1967.5	1878.6	1748.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	143.12	142.89	136.43	134.74
Futures	146.03	145.96	139.93	136.82

THE COMPUTER INDUSTRY

The Financial Times proposes to publish this survey on:

22nd February 1989

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

هكذا عن الأصل

LONDON STOCK EXCHANGE

Special situations feature equities

THE UK stock market took another step forward yesterday with the help of a firm dollar and a rash of speculative features, but failed by a whisker to close above the FT-SE 1800 mark which proved a significant hurdle in the closing sessions of December.

A notable increase in turnover indicated that fund managers, while still perplexed over the medium term outlook for UK equities, were willing to pursue near term trading opportunities. The market responded readily to speculative developments, with Guinness higher following the suspension in Paris of shares in LVMH, in which the UK brewer has a joint stake, and United Biscuits again very active although the chief executive said he knew of no reason for the rise in the share price on Wednesday.

Account Dealing Dates		
*First Dealings:		
Dec 12	Dec 28	Jan 16
Option Declarations:		
Dec 22	Jan 12	Jan 26
Last Dealings:		
Dec 23	Jan 13	Jan 27
Account Day:		
Jan 9	Jan 23	Feb 6

*New time dealings may take place from 9.00 am two business days earlier

The London market opened firmly, taking their cue from Wall Street's advance overnight, with the FT-SE Index above 1800 in early trading and then extending its gain.

At best, the Footsie cleared 1803 but began to flag as the US currency seemed slow to extend its gains and New York equities made a slower start to the new session. A sudden uptick in the dollar came too late in the day for the UK equity market.

The FT-SE Index closed 6.5 points up at 1799.5, with traders commenting that the market seemed to be faltering as it approaches the top of its current trading range, which is believed to be around FT-SE 1810.

Seaq volume increased to 448m shares from the 350m or so totals of recent sessions. The total was amply supported by trading interest in a random clutch of features including Thorn, GEC, Grand Metropolitan and Ranks Hovis. While only too pleased to see investors returning to support speculative stories, traders questioned the validity of the sudden spurt of demand for some stocks.

The blue chip leaders turned in a less convincing performance than some second line sectors. The renewed firmness in the US currency has provided the base for the London market's rally but the background to the US-Libyan air clash, which provoked the dollar's upturn, remains clouded. For dealers in the international stocks, it was a fairly lean trading session, although the firmness of the European bourses continued to help sentiment in London.

Moving against the market trend, Consolidated Gold Fields drifted lower as the market sensed that the UK Monopolies and Mergers Commission enquiry into Minorco's aborted bid will be at best a protracted affair, and at worst a disturbing factor for Gold Fields and all concerned.

FINANCIAL TIMES STOCK INDICES

	Jan. 5	Jan. 4	Jan. 3	Dec. 30	Dec. 29	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	86.85	86.80	86.85	87.03	87.20	87.82	91.43 (18/4/88)	86.16 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.97	95.93	95.97	96.01	96.01	94.23	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1471.5	1459.8	1447.8	1455.3	1468.1	1434.5	1514.7 (8/8/88)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	161.7	162.1	160.7	161.9	162.6	312.5	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Di. Yield	4.98	5.04	5.06	5.04	5.01	4.34				
Earning Yld %(full)	12.55	12.76	12.78	12.72	12.65	10.84				
P/E Ratio(Net)(☆)	9.63	9.48	9.44	9.49	9.54	11.31				
SEAQ Bargains(5pm)	23,085	20,732	18,529	7,576	15,329	27,642				
Equity Turnover(£m)†	-	739.89	407.56	356.05	642.76	1295.90				
Equity Bargains†	-	21,929	13,186	8,836	14,973	31,526				
Shares Traded (ml)†	-	345.1	183.4	170.4	346.6	584.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1468.9	1468.7	1468.7	1471.5	1471.4	1471.0	1472.4	1472.5

DAY'S HIGH 1472.6 DAY'S LOW 1466.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.58 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Jan. 4	Jan. 3
Gilt Edged Bargains	89.3	73.1
Equity Bargains	142.1	85.5
Equity Value	1495.5	823.8
5-Day average		
Gilt Edged Bargains	58.3	49.1
Equity Bargains	92.3	81.3
Equity Value	1016.8	952.0

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,300	135	+2	Commercial Union	1,500	341	+3	Ladbroke	3,100	429	+2	Rothmans	118	425	-3
Allied-Lyons	976	440½	+2½	Cons. Gold Fields	234	£12¼	-⅛	Land Securities	398	539	-1	Royal Bk. of Scotland	195	350½	+½
Amstrad	422	172		Cookson	557	261	+1	Laporte	152	368½	+8½	Royal Insurance	641	392	+3
Argyll Group	4,400	171½	-1½	Courtaulds	3,500	273	+6½	Legal & General	864	290	+½	STC	2,735	272	+3
Ass. Brit. Foods	481	304		Dalgety	1,500	312	+5	Lloyds Bank	1,700	322	-3	Saatchi & Saatchi	1,300	338	+8
BAA	2,100	266	+1	Dixons	2,600	135	-1	LASMO	765	487	+8	Sainsbury	524	208	+1
BAT	1,800	447	-2½	Eng. China Clays	97	459	+3	Lonrho	1,400	339	-1	Scott & Newcastle	1,400	392	+3
BET	676	224		Enterprise Oil	2,300	470	+11	Lucas	758	524	+7	Sears	1,800	189½	-½
BICC	47	390	+2	FKI Babcock	586	121½	+½	MB Group	1,300	262	+3	Shell Transport	1,591	338½	-½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Plessey under pressure

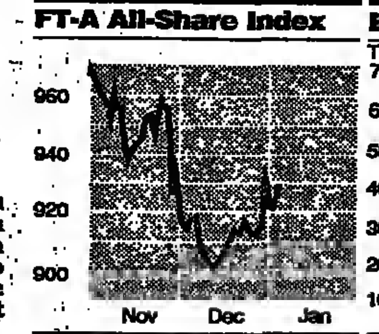
The Plessey takeover saga reached a critical point with the latter expected to publish today its defence document to the £1.7bn joint bid for the company from GEC and West Germany's Siemens.

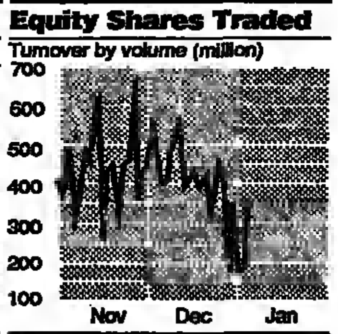
Plessey shares came under sustained pressure late in the day, closing a net 4 off at 228p, after turnover of 3¾m as stories of a possible "pacman defence" did the rounds in the market.

The stories suggested that Plessey had been attempting to organise a consortium to turn the tables on GEC by launching a surprise offer for it. These rumours have been circulating in the market for some time and suggested participants have included Hanson, as well as all the major European and US electronics giants.

GEC shares were heavily bought with demand additionally fuelled by keen support in the traded options market; at the close they were 7 higher at 198p after turnover of 11m. Hoare Govett were said to have been among the front runners buying the stock after analyst Mr Miles Saltiel labelled the shares as undervalued.

The Hoare analyst says the market has "failed fully to reflect the earnings growth in prospect from the Alsthom joint venture which also provides increased cover for the strong and advancing yield". Hoare has raised its 1990 profits forecast by £80m to £860m to reflect the Alsthom deal.





Golden oldies

Thorn EMI shares were among the day's best performers after the leisure-to-electronics group unveiled the purchase of a catalogue of music publishing copyrights from privately-owned US company SBK Entertainments. Thorn shares leapt 12 to 639p on turnover of 1.3m with the City giving the acquisition a warm welcome.

Thorn EMI is paying $337m in cash for the 250,000-plus copyrights which comprise mainly old "standards" commissioned by major Hollywood film companies such as MGM and United Artists.

Analyst Mr Brian Newman at Chase Manhattan Securities said the deal would give Thorn EMI, with over 500,000 copyrights, 12 per cent of world music publishing – the biggest single group in the world – and that he has increased his estimate of 1989-90 pre-tax profits by £10m to 340m.

The Chase analyst said Thorn's music business is "booming worldwide" with compact disc sales "having a major positive impact on profits". "The deal positively enhances the quality of the group's music profits of which 40 per cent come from publishing", Mr Newman concludes.

Blue Circle rise

Blue Circle Industries, one of the UK's leading cement producers, raced ahead to touch 437p, before ending a busy session with a net rise of 13 at 436p; turnover was a better-than-usual 1.7m shares.

Blue Circle confirmed to County NatWest, the securities house, that cement prices would be increased from next Monday, putting substance behind rumours circulating in the market throughout the session.

Allied to the initial speculation of the cement price rise was a stock shortage and subsequent squeeze on market-makers' book positions. There were also suggestions in the market that the company could well be about to announce a major revaluation of its property portfolio.

Finally, dealers said there had been a fresh flurry of speculation in the market that the company could be the target of a predator. The list of possible bidders included many names, especially from the Continent, but the most prominent of the possibles was, inevitably, the Hanson group.

Courtaulds gloss

Repeated speculation in a City column that Mr Kerry Packer or another source had embarked on a stakebuilding exercise drew short-term investors to Courtaulds. Several above-average sized deals were recorded as the shares continued their recovery from last month's year low of 241p. Yesterday the shares closed up a further 6½ at 273p on volume of 3.5m shares.

The consensus view was that Courtaulds was looking relatively cheap on fundamentals with all divisions, other than the recognised problem fibres and textiles areas, doing well. There were also theories that Mr Packer, after tripping out stock last autumn, had decided to protect his investment – now thought to be under 4 per cent and showing a substantial loss on the purchase price – by averaging in the market.

Mr Peter Hyde of Kleinwort Benson recently categorised Courtaulds as a "specific situation" stock, capable of overcoming the problems associated with the textile sector this year. "The group has moved away from cyclical and import sensitive areas towards niche, high value added businesses", said Mr Hyde.

Pearl stood out in the life assurance market with the shares sold down 10 to 406p after widespread disappointment with the recently-announced new business figures which triggered a number of "sell" and "switch" recommendations.

Insurance brokers included features in Hogg Robinson Gardner Mountain which jumped 6 more to 140p, amid bid talk, and Sedgwick which added 6 at 237p.

Guinness rose 5 to 340 on news from the Paris Bourse, where shares in LVMH (Louis Vuitton Moet Hennessy) climbed 20 per cent before being suspended. The rise in LVMH was believed to be the result of buying by Financière Agache which already held, with Guinness, a 38 per cent joint stake in LVMH. Guinness received a boost because the rise in LVMH shares has increased the valne of its stake, but also because the market foresaw other possible developments; one view was that LVMH might retaliate against the raid in the French market by increasing its 12 per cent stake in Guinness, while another suggested that Guinness and Agache were close to gaining control of LVMH and would then break up the fashion and distilling group.

GUS featured strongly as marketmakers clamoured for stock ahead of the vote at today's egm on the company's proposal to buy-back 15 per cent of its shares. The consensus in the market was that the plan will gain shareholder approval, and therefore no one wanted to be caught short, said one dealer. There was also a suggestion that GUS might take a decision at the meeting to enfranchise its "A" shares. By the close, GUS "A" were 26 higher at 952p.

Etam, down 5 at 141p, took a knock after Ms Katherine Wynne of Chase Manhattan downgraded her profits forecast for the current year from £19m to £15.5m because of poor sales growth and rising costs. Etam is already facing a downgrade from Ms Kimlan Cook at Smith New Court, who said she expects to come down from £18m to either £17m or £17.5m after meeting with the company later this month.

Body Shop were weak, closing down 22 at 486p. One trader blamed a "badly handled order", but worries about the group's figures due on January 11 were thought to have been a more likely cause for the decline. Sock Shop, which is also due to release figures this month, were equally out of favour, finishing 14 easier at 169p.

The news of the Braniff order for 50 Airbus jets boosted both British Aerospace, which will make the wings, and Rolls Royce, which will be involved in manufacturing the engines. BAe closed 3 up at 155p and Rolls ended a penny higher at 134p. One analyst at County NatWest WoodMac felt that the deal was probably better news for Rolls Royce than for BAe. He said the deal helped confirm the sales potential of the recently-developed V-2500 engines, although he queried how much money BAe made on such civil contracts.

Eurotunnel rose 12 to 510p on fresh support from Paris which caused dealers to utter "perhaps the French know more than we do". There was also a mistaken belief that Warburg had just upgraded the stock.

Foods remained active amid a welter of speculation and hyperhole. Ranks Hovis Mcdougall were the main feature, climbing 13 to 358p before easing back to close 10 better on the day at 358p as nearly 2¼m shares changed hands. In spite of loose talk of imminent bids, dealers said that the rise was a delayed reaction to the recent speculative interest elsewhere in the sector. There was some frantic buying in the morning which, combined with steady demand in a thin market, sent the shares sharply higher, explained one marketmaker.

United Biscuits was again very busy, with sentiment depressed in early trading as Wednesday's story of a Suchard bid lost credibility after the company said it had not been approached. With many investors taking profits, UB closed 12 easier at 309p on turnover of 12m shares.

Second-liners were particularly sought after, traders reported, with several posting good gains on the back of business in the leaders. Booker were 11 firmer at 388p with Scottish institutions heading the queue of buyers, and S Daniels climbed 6 to 8lp on speculative demand and the feeling that they have recently been oversold.

Grand Metropolitan caught the eye among mixed Hotels, jumping 12 to 439p on turnover of over 4m shares after Mr Alan Sheppard, chairman and chief executive, met with brokers Panmure Gordon and Cazenove on Wednesday night in the boardroom of County NatWest WoodMac. The presentation was said to have been well received, and County were keen buyers of the stock all day.

Commercial radio stations all climbed sharply, led by Capital Radio which rose 35 to 567p. Piccadilly Radio advanced 12 to 206p, Radio City rose 35 to 360p and Radio Clyde, which reveals its annual figures today, improved 12 to 253p. The sector was powered by the market's growing faith in the buoyancy of advertising revenues.

The announcement that Mr George Martin is leaving Leisure Investments after a board shake-up helped push the latter's shares down 7 to 86p. LandLeisure, controlled by Leisure Investments, fell 15 to 370p. Mr Roy Owens, an analyst at Kitcat Aitken, said that the fall made LandLeisure an attractive buy. He did not believe the departure of Mr Martin, a casinos specialist, suggested a shift in strategy away from casinos.

Cable & Wireless, where dealers noted a large placing of convertible loan stock, fell away to close 6 down at 367p; turnover in C&W was much higher than normal at 5.6m.

VG Instruments were a volatile market, slumping to 238p before closing a net 19 off at 246p.

A rescue operation is planned for March Group, the racing car manufacturer, which yesterday forecast a £4.5m annual loss and the need for "significant additional funding". Shareholder Mr Akira Akagi intends to arrange a 50p-a-share cash offer and will provide funds upon it becoming unconditional. The listing of March shares was suspended initially but trading resumed later to leave the price 13 down at 52p.

Dealings in traded options again found the recent jump in index business almost overshadowed by dealings in individual stocks the centre of bid or reorganisation talk. Overall dealings came to 37,312 calls and 27,174 puts, with FT-SE 100index again taking the lion's share, on 7,564 call contracts, lying in 2,466 calls and 5,098 puts, major changes seen in an expansion of open interest February 1800 and 1850 calls, and substantially more in the January 1800 and February 1700, 1750 and 1800 puts.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 18.

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (66) [illegible] ... Marston Thompson, BUILDINGS (4) Johnstone Paints, Lafarge Coppee, Newarthill, Watts Blake, CHEMICALS (2) Reckitt, Schering, STORES (1) Limited Inc., ELECTRICALS (1) GEC, ENGINEERING (1) Tyzack, FOODS (4) Barr (A.G.), Kwik Save, Meat Trade Sup., Utd. Biscuits Wrrts., HOTELS (1) Jurys Hotel, INDUSTRIALS (6) Enshed Corp., Eurotunnel Units, Do. Wrrts., Hanson, Jardine Hdg., Jardine Strategic, LEISURE (1) Capital Radio, PAPERS (1) Crowd Comms., PROPERTY (2) HK Land, London Shop, SHIPPING (2) Bergesen d-y AS 'A' Lon. O'seas. Frts. 'B' Ptd., TRUSTS (8) Drayton Far East, Do. Wrrts., Electra, F & C Eurotrust, J.F. Pac Wrt SA Co Ord., Korea Europe, Pacific Assets, Romney Tst., OILS (1) Norsk Hydro, OVERSEAS TRADERS (1) REA Hldgs.

NEW LOWS (95) BRITISH FUNDS (1) Exch. 3pc Gas '90-'95, CANADIANS (2) Cons. TVX Min. Corp., Sonora Gold, BUILDINGS (1) Bucknall Austin, STORES (2) Reject Shop, Sock Shop Int'l., ELECTRICALS (5) Feedback, INSTEM, Microgen, Personal Comps., Real Time Control, FOODS (2) Acatos & Hutcheson, Ptarmigan Hldgs., INDUSTRIALS (4) Co. of Designers, Gt. Southern, Hodgson, Page (Michael), MOTORS (1) March Grp., NEWSPAPERS (1) Johnston Press, PAPERS (1) Ketson, PROPERTY (1) Shield Grp., TRUSTS (2) Panfida, Scot. & Merc. 'A', OILS (1) Clyde Oil Wrrts., OVERSEAS TRADERS (1) Nesco Invs., MINES (4) Clogau Gold, Samson Expl'n., Cons. Murch., McFinley Rd. Lake, THIRD MARKET (1) Rentaminster.

APPOINTMENTS

Cockfield joins Peat

■ Lord Cockfield, who was responsible for the development of the European Community's internal market before his term of office ended yesterday, has become a consultant to PEAT MARWICK McLINTOCK, the UK's largest firm of accountants, *writes Richard Waters.*

He will spend about a quarter of his time with the firm, advising both it and its clients on the implications of the single market for their businesses

Commenting on his work for Peat, Lord Cockfield said: "Progress to 1992 is now irreversible. What matters now is that industry takes full advantage of the opportunities opened up and rises to the challenges the programme presents."

■ Appointed directors of EDUNBURGH FUND MANAGERS are: Mr Colin Barker, chairman of British Investment Trust, British Technology Group, and CIN Management; Mr John W Blair, senior partner, Strathearn and Blair, and director, British Investment Trust; Mr Barry Southcott, managing director of marketable securities of CIN Management, and a director of British Investment Trust. Mr Colin Ross, managing director of EFM Unit Trust Managers, has been appointed to the board of British Investment Trust.

■ Mr John G. Hunter has been appointed marketing director of REFUGE OVERSEAS. He was group sales director with Tyndall.

■ HENRY BARRETT GROUP has appointed Mr James Anderson to the group main board. He becomes managing director of the new materials handling division.

■ BENN BROTHERS has made the following appointments: Mr Mark Simpson, managing director, Benn Business Information Services, joins the main board; Mr Christopher Leonard-Morgan becomes managing director of BPL Retail - other members of the board are Mr Patrick Wade, Mr Mike Staton (financial), Mr John Mann (circulation), and Mr Brian Downing; Mr John Brazier becomes managing director of BPL Industrial - other members of the board are Mr Iain Laughland, Mr Trevor Barratt, Mr Staton (financial), Mr Mann (circulation), and Mr Downing. The group is part of United Newspapers.

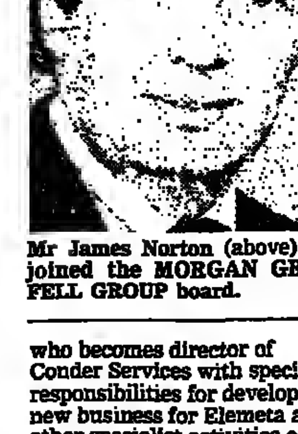
■ SVENSKA HANDELSBANKEN GROUP, UK region, has appointed Mr Jan Henrik Gladh as branch manager, London. Mr Claes Carlon, Mr Ed Flack, and Mr Andre de Havilland have been promoted to assistant general manager. At Svenska International, London, Mr John Doxey has joined as an associate director from State Bank of New South Wales, where he was in charge of risk management; Mr Klas Andersson and Mr Anders Troive have been promoted to associate director.

■ Mr Ian Robertson has been appointed chief financial officer of ALEXANDER & ALEXANDER EUROPE, and has been succeeded as chief financial officer of Alexander Stenhouse UK by Mr Ian Falconer. Mr Richard Porter has been appointed an executive director of Alexander Stenhouse UK, responsible for new business development, a new post.

■ Mr Kieran Larkin has been appointed a director of WILLMOTT DIXON HOLDINGS. He remains managing director of Willmott Dixon Housing.

■ HOGG ROBINSON & GARDNER MOUNTAIN, UK division, has appointed Mr John Elliott as a non-executive director. He is senior partner at Elliott & Co.

■ CONDER GROUP has appointed Mr David Brownridge as managing director of Elemeta. He succeeds Mr Andrew Brown who becomes director of Conder Services with special responsibilities for developing new business for Elemeta and other specialist activities of the Conder Group. Mr Brownridge was a director at Lesser Design & Build.



Mr James Norton (above) has joined the MORGAN GRENFELL GROUP board.

■ FISONS has appointed Mr Geoffrey Withrington as managing director, instruments group, within the scientific equipment division. He was previously a director of Eurotherm International and chairman of Eurotherm Ltd.

■ Mr Patrick J. Cunningham has been appointed to the board of TULLETT & TOKYO (CURRENCY DEPOSITS) CO.

FT LAW REPORTS

Digest of Michaelmas term cases

November 8 to November 25

BANK OF CREDIT AND COMMERCE INTERNATIONAL SOCIETE ANONYME v ABOODY
(FT, November 8)

The wife signed three guarantees on her house to secure her husband's business, which collapsed through a series of massive frauds he had perpetrated. The wife had had complete faith in her husband's integrity and had been unfamiliar with business affairs. At first instance the judge fonnd undne influence proved but failed to find the manifest disadvantage to the wife necessary for the transaction to be set aside in equity. Dismissing the wife's appeal, the Court of Appeal held that a disadvantageous transaction was the starting point from which the court proceeded. After examination of each transaction, the judge had rightly concluded that no manifest disadvantage had been shown.

MARC RICH & CO AG v SOCIETA ITALIANA IMPIANTI PA (THE ATLANTIC EMPEROR)
(FT, November 9)

In a dispute over a contract for the sale of a cargo of crude oil, leave was granted *ex parte* to the plaintiff to serve on the defendant outside the jurisdiction under the Arbitration Acts although proceedings had already begun in an Italian court. The plaintiff alleged the contract contained an arbitration clause while the defendants contended that the clause had never been accepted. The defendants thus argued that they had priority under Article 1(4) of the the Brussels Convention, which specifically excluded arbitration, as enacted in the Civil Jurisdiction and Jndgments Act 1982. Dismissing the defendants' application to set aside service, Hirst J stated that although Article 1(4) did exclude the application of the Convention to arbitration, in its natural meaning and context, that covered all matters connected with arbitration, including, as in the instant case, questions as to the initial validity of the alleged arbitration agreement.

HARVEY v VENTILATOREN FABRIK OELDE GmbH
(FT, November 11)

Two sets of acknowledgements of a contract were sent by the German manufacturers to the appellant for the erection of large machines. The appellant was told to sign and return one set and keep the other. The two sets of documents were not identical in that one set had provisions on the back, in German, which stated that German law applied. Allowing the appeal from e first instance decision setting aside leave to serve on the manufacturers for breach of warranty, the Court of Appeal held that since one set of documents was blank on the reverse, the appellant was entitled to assume that the printed material on the other set, which he did not understand and which had never previously been discussed, was not intended to form part of the acknowledged orders.

BARCLAYS BANK PLC v KENNEDY AND ANOTHER
(FT, November 15)

In an appeal by Mrs Kennedy against a decision granting a possession order to the bank on the matrimonial home, the Court of Appeal stated that the wife had signed as "occupier" a guarantee on the house to secure an overdraft of a business associate of her husband. The husband had executed the charge at the bank as owner on a Friday afternoon but only told his wife of the arrangements just before closing time on Monday when the transaction was completed with her signature. The Court of Appeal stated that the overwhelming inference drawn from the evidence was that all had been agreed between the husband and the manager on the Friday, and that the manager left it to the husband to persuade the wife to come to the bank on the Monday to charge and sign the guarantee so that the husband was therefore acting as the bank's agent. However, undue influence and misrepresentation on the husband's part could not be inferred on the evidence so that the case would be remitted for a retrial.

BOOKER AND OTHERS v BELL AND OTHERS
(FT, November 16)

The insurers sought a declaration that they were not liable to indemnify Mr Bell who had acted as officer in a firm of brokers in respect of claims for *inter alia*, civil conspiracy and conversion, made against him in e Californian Court. Granting the declaration, Gatehouse J stated that the court needed to be cantious in exercising its undoubted discretion to grant e declaration where the declaration sought was negative in form and where the defendant against whom it was made was not present. However, in the instant case, the court was satisfied that to deny the insurers the remedy sought would be to impose an injustice on them in a situation where Mr Bell had svaded service and where, were the allegations against him proved, the insurers would not be liable to indemnify him.

TURNER v MANX LINE LTD
(FT, November 18)

Damage was caused both to itself and to neighbouring jetties by a floating roadway (the Linkspan) for transporting vehicles from ferry to ehore when it capsized in heavy seas where Manx Line was the lessee of the Linkspan and was liable for the damage. Manx Line's policy with the plaintiff underwriters covered an assured "if by reason of interest in the vessel" he became liable to pay in respect of "(i)loss of or damage to any othsr vessel or goods . . . caneed proximately . . . by the vessel insured . . ." In giving judgment for Manx Line in an action in respect of monies from a claim against the manufacturers, Hirst J stated that to interpret "interest" in its context as connoting an operational interest in the Linkspan, was fully in harmony with the wording of the clause as a whole. Thns the damage caused to the Harbour Board's property clearly occurred by reason of Manx Line's interest (properly construed) in the Linkepan seeing that it was caused by the Linkspan itself.

THE ARAMIS
(FT, November 22)

A dispute arose over a shortage of cargo shipped in bulk. The bills of lading were endorsed by the shippers and hy forwarding agents appointed by the buyers to obtain delivery and signed on behalf of the master of the Aramis under time charter. At first instance the judge held that there was an implied contract entitling the endorsees and holders of the bills of lading to sue the shipowners as the sellers were in liquidation. Allowing the shipowners' eppeal, the Court of Appeal held that (i) property in the goods did not pass to the endorsee under the Bills of Lading Act, 1855, section 1, because the goods formed part of an undivided bulk cargo so that contractual rights of suit could not pass either and (ii) e contract could not be implied because, on the bare facts of the case, the business relationship between the shipowners and the bill of lading holders was entirely efficacious without the implication of any contract between them.

FINANCIERA AVENIDA SA v SHIBLAQ
(FT, November 23)

Although Mareva injunctions had been obtained against the defendant, the main action against him was abandoned. In the meantime, however, he lost his position as a broker and the court ordered an inquiry as to whether and what damages the defendant had suffered as a result of the orders and "which the plaintiffs ought to pay according to their cross-undertaking." Saville J state d that the rule was that when an undertaking had been given and the plaintiff ultimetely failed on the merits, an inquiry as to damages would be granted unless there were special circumstances to the contrary. Moreover, the court was satisfied that had the defendant succeeded in lifting the Mareva orders when litigation against him started, he would have retained his position as broker. He had established a prima facie case that the damage was caused by the relevant orders and he was entitled to his lost commission.

BARRETTS & BAIRD (WHOLESALE) LTD AND OTHERS v IPCS AND OTHERS
(FT, November 25)

The plaintiff abattoir owners obtained interlocntory relief against the defendants who had threatened a series of one-day etrikes against their employers, the Meat Livestock Commission as the MLC would havs felt no inconvenience from the effects of the strike. When the dispute against the MLC was settled and the abattoir owners discontinued their action, the question arose as to who should pay the costs for the interlocutory proceedings, the Master having ordered costs in the cause. The defendants' contention that the general rule should apply that a plaintiff who discontinued should pay the costs was rejected by Mr Justice Henry who etated thet the general rule should only apply when discontinuance could safely be eqnated with defeat or acknowledgement of likely defeat. Moreover, the plaintiffs had not been ordered to pay the costs of the unsuccessful interlocutory applicetion because the court could not be sure of the eventual outcome and so could not in justice make the order.

Aviva Golden

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	42.96	50.46	46.23	+0.66	5.93
Gilts & Fixed Inc	6	110.60	110.60	117.50	-0.4	8.51
High Inc Equity	6	113.5	115.6	123.6	-0.6	4.81
Worldwide Bond	6	186.8	186.8	190.0	+0.6	4.90
Capital Growth						
American Growth	6	144.5	145.5	155.6	+2.8	1.50
Asian Pacific	6	67.42	68.56	73.51	+1.96	1.27
Assets & Earnings	6	133.5	137.9	146.7	-1.1	1.68
Capital Reserve Acc	0	80.92	80.92	81.64	-0.15	4.99
Comdty & Energy	6	87.06	87.06	93.12	+0.73	1.30
1992 Enterprise	6	46.23	47.17	50.18	+0.32	3.50
European Capital	6	73.34	74.84	79.61	+0.55	0.94
General	6	148.6	151.6	161.2	+1.0	2.79
Japan	6	97.61	99.27	105.6	....	0.00
Mastertrust	6	71.76	73.76	76.73	+0.40	1.79
UK Growth Acc	6	167.7	175.8	187.0	+0.6	1.42
UK Growth Dist	6	112.6	118.0	125.5	+0.4	2.12
US Emerging Cos	6	43.13	43.11	46.13	+1.15	0.00
Income & Growth	6	251.00	256.60	272.90	+1.8	3.48
Ethical	6	40.84	41.87	44.54	+0.09	2.81

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0224 633070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	39.86	39.86	42.48	+0.72	2.12
Australian	5¼	22.25	22.25	23.67	+0.18	1.39
European	5¼	49.20	49.20	52.34	+0.26	0.00
Extra Income	5	37.12	37.12	39.48	+0.3	5.58
Fund Inv Tst	5	101.8	101.0	107.3	+0.5	2.41
Do Accum	5	153.9	153.9	163.6	+0.7	2.41
Gilt & Fixed Inc	5¼	21.83	21.83	23.23	+0.02	10.25
Global Income	5¼	34.96	34.96	37.20	+0.26	5.17
Income & Growth	5¼	62.48	62.40	66.40	+0.50	4.56
Japan	5¼	171.8	171.8	182.0	-0.6	0.01
Nth Amer Inc Ld	5	24.78	20.78	26.30	+0.32	4.13
Special Situations	5¼	60.86	60.00	64.74	+0.22	1.36
US Growth	5	30.74	30.74	32.63	+0.28	2.96
World Gwth	5	40.26	40.26	42.75	+0.37	0.53
Formerly Scottish Funds Management Ltd						
American Majors	5¼	56.17	56.17	59.96	+0.9	1.82
Amer Tech & Gen	5¼	95.07	95.87	101.4	+1.43	0.00
European Growth	5¼	34.11	34.11	36.41	-0.13	0.00
European Income	5¼	48.20	48.20	51.45	+0.16	1.93
European Spec Sits	5¼	20.00	20.00	21.35	-0.1	0.00
Exempt	1	699.4	699.4	732.4	+0.5	3.14
F East Emerg Econ	5¼	30.98	30.98	33.18	+0.28	0.00

Bryceson Unit Tst Mngmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 01-935 6382

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	161.0	161.0	166.0	....	4.85

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5	55.82	57.33	60.83	+0.34	1.82
(Accum Units)	5	56.24	57.76	61.28	+0.33	1.00
Fellowship Tst	5	56.47	58.16	61.71	+0.25	1.71
(Accum Units)	5	57.56	59.28	62.98	+0.26	1.71
General Inc	5	251.5	257.9	273.7	+2.1	2.78
(Accum Units)	5	418.8	429.0	455.2	+5.4	2.78
Income	5	133.6	137.7	146.1	+0.9	4.70
(Accum Units)	5	255.4	263.0	279.1	+1.7	4.70
International	5	105.0	105.0	111.0	+1.3	1.83
(Accum Units)	5	142.3	142.3	150.5	+1.8	1.83
Smaller Co's	5	90.78	93.12	98.80	+0.05	1.56
(Accum Units)	5	99.21	101.9	108.1	....	1.56
Int Portfolio	2½	46.99	48.52	50.00	+0.43	4.00

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7216

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sht Dtd Gilt & FI	1¼	52.53	52.53	53.27	+0.03	11.36

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
UK General Tst	5½	45.64	45.64	49.61	+0.34	2.62
Global Tst	5½	37.29	37.29	50.07	+0.20	2.30
Recovery Tst	5½	47.93	47.93	52.03	+0.20	2.61

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Fd Acc	5	91.17	92.61	87.74	+0.46	3.52

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CS America	5	49.68	49.60	52.78	+0.80	0.93
CS International	5	49.80	49.89	53.07	+0.32	2.18
CS Japan	5	113.1	113.2	120.4	-0.4	0.40
CS Portfolio Inv ‡	5	59.25	59.26	63.04	+0.13	3.15

Canada Life Unit Tst Mgrs Ltd (1200)F
2-6 High St, Potters Bar, Herts 0707 51122

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Can Gen Dist	5	118.9	123.6	130.1	+0.6	3.30
Do Gen Accum	5	193.6	203.3	214.0	+1.0	3.30
Do Income Dist	5	84.87	87.07	92.08	+0.32	5.32
Do Inc Accum	5	188.0	196.6	207.8	+0.80	5.32
Gilt & Fxd Inc	5	36.95	36.93	38.90	-0.13	8.25

Cannon Fund Managers Ltd (0700)H
1 Olympic Way, Wembley, HA9 0NO
01-902 8876. Dealing: 0800 282621

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	31.26	33.36	35.48	+0.13	2.89

Providence Capital Fd Mgrs Ltd (1000)H
30 Uxbridge Road, London W12 8PG 01-749 9111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Worldwide Inc	6	72.30	72.30	78.31	....	0.75
Worldwide Acc	6	75.15	75.15	81.41	....	0.75
UK Equity Inc	6	65.87	65.87	71.86	....	2.54
UK Equity Acc	6	71.12	71.12	77.39	....	2.54
European Inc	6	90.23	90.23	97.48	....	1.02
European Acc	6	93.46	93.46	100.90	....	1.00
Nth American Inc	6	47.66	47.66	51.78	....	2.90
Nth American Acc	6	49.07	49.07	53.31	....	2.90
Japan Inc	6	107.90	107.9	116.2	....	0.00
Japan Acc	6	108.1	108.1	116.4	....	0.00
UK High Inc Eq Inc	6	50.12	50.12	55.60	....	5.65

Prolific Unit Tst Mngrs Ltd (1000)H
222 Bishopsgate, London EC2 01-247 7544/7

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	50.13	55.94	54.25	+0.44	4.28
Cnv & Gilt ♀	5	119.4	116.2	125.7	-1.0	6.28
Euro Gwth & Inc	5	42.44	42.44	45.34	-0.01	2.53
Extra Income ♦	5	115.9	116.6	124.1	-0.2	4.90
Far East	5	226.5	228.0	242.5	+1.3	0.01
High Income ♦	5	73.00	79.14	84.11	+0.29	4.65
International	5	118.5	119.4	127.1	+0.9	0.81
Nth American	5	108.5	111.0	118.3	+2.8	0.01
Pref & F el Inc ♦	5	46.39	47.09	49.99	-0.02	9.40
Special Sits ♀	5	87.10	87.10	93.08	-0.27	1.00
Technology	5	107.8	109.7	117.0	+1.4	0.00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♀ - 0001 to 1100 hours; ‡ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or –	Yield Gross
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	293.0	308.5	+1.1	–
UK Equity	363.0	382.2	+1.9	–
Overseas Eq.	272.9	287.3	+2.2	–
Americas	205.5	216.4	+4.1	–
Far East	339.4	357.3	+0.3	–
Property	199.0	209.5	+0.1	–
Fixed Int.	216.9	228.4	–0.6	–
Indexed Gilt	127.1	133.8	–	–
Deposit	145.1	152.8	–	–
Pension Fund (Accum Units)				
Managed	379.4	399.4	+1.8	–
UK Equity	424.4	446.0	+2.8	–
Overseas Eq.	433.1	455.9	+4.0	–
Americas	275.2	289.7	+5.3	–
Far East	573.5	603.7	+1.0	–
Property	237.1	249.6	+0.5	–
Fixed Int.	250.2	263.4	–0.7	–
Indexed Gilt	137.6	144.9	–	–
Deposit	104.8	194.6	–	–
NPI Pensions Management Ltd				
Managed Fund	892.1	908.0	–	–

Prices January 5 Next dealing February 1

	Bid Price	Offer Price	+ or –	Yield Gross
Norwich Union Asset Management Ltd				
PO Box 124, Norwich NR1 1JS 0603 683986				
NUAM Funds				
Managed Fund	54.2	57.1	+0.3	–
Stock Market Mngd Fund	51.9	54.7	+0.4	–
Equity Fund	54.5	57.4	+0.4	–
International Fund	50.0	52.7	+0.5	–
European Fund	52.2	54.9	+0.2	–
North American Fund	44.2	46.5	+0.9	–
Pacific Fund	62.2	65.4	+0.2	–
Property Fund	69.9	73.6	–	–
Fixed Interest Fund	51.7	54.5	–0.2	–
Index linked Sec Fund	52.9	55.7	–	–
Deposit Fund	55.3	58.3	–	–
NUAM Retirement Plans				
Mixed Fund	58.0	61.1	+0.3	–
UK Ordinary Share Fd.	63.2	66.5	+0.4	–
International Fund	51.9	54.6	+0.4	–

	Bid Price	Offer Price	+ or –	Yield Gross
Providence Capital Life Assc. Co Ltd				
30 Uxbridge Rd, London W12 8PG 01-749 9111				
UK Equity Acc.	182.1	192.1	+1.3	–
UK Fixed Int Acc.	142.2	150.0	+0.2	–
Intl Equities Acc.	133.3	140.4	+0.0	–
UK Managed Acc.	143.7	151.5	+0.6	–
Property Acc.	223.9	236.2	+0.3	–
Money Acc.	105.5	109.0	–	–
Special Market Acc.	104.3	110.1	–1.1	–
Japan Equity Acc.	140.4	148.2	+0.1	–
North American Acc.	87.2	92.0	+2.1	–
Pacific Acc.	79.1	79.3	+0.5	–
Technology Acc.	107.5	113.5	+1.6	–
Nat Resources Acc.	58.8	62.1	+0.2	–
European Acc.	81.1	85.6	+0.4	–
Residential Prop Acc.	116.3	122.7	–	–
Swiss Equities Acc.	31.0	32.8	–0.2	–
Hong Kong Acc.	46.5	49.1	+0.8	–
UK High Inc Eq Acc.	59.4	62.7	+1.4	–
Inc Fixed Interest Acc.	49.4	52.3	–0.2	–
Int Managed Acc.	47.3	49.8	+0.1	–
HIP Managed Acc.	102.2	107.0	+0.4	–
Total Investment Bond				
UK Equity Initial		127.1	+0.9	–
UK Fixed Int Initial		99.4	+0.1	–
Intl Equities Initial		92.3	+0.5	–
UK Managed Initial		100.5	+0.3	–
Property Initial		157.6	+0.5	–
Money Initial		72.6	–	–
Special Market Initial		05.1	+0.8	–
Japan Equity Initial		111.9	–	–
North American Initial		69.5	+1.6	–
Pacific Initial		99.9	+0.4	–
Technology Initial		85.6	+1.1	–
Nat Resources Initial		46.9	+0.2	–
European Initial		74.7	+0.4	–
Residential Prop Init.		134.0	+0.1	–
Swiss Equities Initial		30.5	+0.1	–
Hong Kong Initial		46.6	+0.8	–
UK High Inc Eq Init.		58.3	+1.4	–
Inc Fixed Interest Init.		49.2	–	–
Int Managed Init.		47.1	+0.1	–
HIP Managed Init.		101.9	+0.5	–
Broker Fund				
Towergill Mngd Fd Acc.	42.5	44.8	+0.3	–
High Performance	60.0	63.2	+0.1	–
YRA Executive Fd.	77.1	81.3	+0.4	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY AUTHORISED

JERSEY AUTHORISED

IoM AUTHORISED

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	[illegible]	12.56
[illegible]	[illegible]	Treas 9¼pc Cnv 1989	[illegible]	[illegible]	[illegible]	12.53
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	[illegible]	10.51
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	[illegible]	12.42
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	[illegible]	12.46
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	[illegible]	12.19
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	[illegible]	10.55
[illegible]	[illegible]	Exch 10¼pc Cv '89	[illegible]	[illegible]	[illegible]	11.32
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	[illegible]	11.78
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	[illegible]	11.77
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	[illegible]	11.73
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	[illegible]	10.02
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	[illegible]	11.44
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	[illegible]	10.85
[illegible]	[illegible]	Treas. 10pc Cv 1990	[illegible]	[illegible]	10.24	11.46
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.84	9.53
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.66	11.31
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.37	10.73
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.47	9.53
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.15	10.68
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.02	11.05
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.65	11.09
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.15	10.82
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.26	10.88
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.70	10.96
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.59	10.81
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	[illegible]	9.09
[illegible]	[illegible]	[illegible] 12¼pc '92	[illegible]	[illegible]	[illegible]	10.82
[illegible]	[illegible]	[illegible] 13½pc 1992	[illegible]	[illegible]	[illegible]	10.77
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	[illegible]	10.57
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	[illegible]	10.47
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	[illegible]	10.65
[illegible]	[illegible]	[illegible] 6pc 1993‡‡	[illegible]	[illegible]	[illegible]	9.76

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
154p	44p	♦UniLab	154p	.....	–	–	–
24¾	17¾	Utd. Technologies	22¼	+⅝	$1.60	–	3.9
163p	27p	♦UtilTech Inc.	128p	.....	–	–	–
34⅝	26¼	US West	32	+½	$3.52	–	6.1
24⅜	16⅞	Waste Management $1	23½	+⅛	48c	–	1.1
16⅝	12⅞	Whirlpool $1	13⅞	+⅛	$1.10	–	4.4
20⅜	15⅞	Whitman Corp.	17½	+1⅛	96c	–	3.0
33⅛	18¼	♦Woolworth $3½	28½	+⅛	$1.64	–	3.2

CANADIANS

High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	138p	♦ABM Gold Corp ‖	146p	+2	–	–	–
32p	7p	♦Abbot Energy Corp.	7p	.....	–	–	–
14¼	882p	♦Amer. Barrick Res.	914p	+5	–	–	–
10p	2½p	♦Amer. Lightwave ‖	3½p	+½	–	–	–
47p	7¼p	♦Armedo	16p	–1	–	–	–
76p	24p	♦Augmitto Explo.	33½p	+2	–	–	–
14⅜	10⅝	Bk. Montreal ‖	15	+⅛	$2.00	–	7.0
769p	514p	Bk. Nova Scot. ‖	657p	.....	76c	–	5.3
18¾	15¼	BCE ‖	17⅛	+⅛	$2.44	–	6.4
716p	527p	♦Bow Valley ‖	570p	.....	♦40c	–	3.2
13⅝	10½	♦Brascan ‖	12½	+⅛	88c	–	3.2

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Finance

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Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
51	38	Peruine Optical 2½p γ	38	......	–	–	–	10.2
60	33	Propeller 1p γ	41	......	–	–	–	19.8
63	57	Rentaminster 5p γ	57	–1	n1.0	4.3	2.3	13.3
237	150	Royal Sovereign 10p γ	185	......	†4.6	1.9	5.3	17.5
26	20	Scott Pickford 10p γ	20½	......	5.1	0.7	20.2	10.6
116	68	Seacon Hldgs. γ	95	......	Z1.0	–	1.4	–
15½	7	Sonic Tape 2½p γ	7	......	–	–	–	9.2
27	17	Staks Hldgs. 5p γ	17	......	–	–	–	20.1
*4½	2¼	Swanyard Studios 1p γ	2½	......	–	–	–	◆
513	200	Takare γ	204	+1	b1.0	8.1	0.5	29.4
36	26	Tomorrows Leisure 20p γ	28	......	–	–	–	13.9
25	13½	Tullon Oil 10p γ	19	......	–	–	–	–
135	105	UPL Group 10p γ	110	......	L2.41	4.3	2.9	15.0
182	120	Unit Group γ	147	......	F7.5	2.9	6.8	8.4
15	12½	Whitegate Leisure 20p γ	13½	+½	–	–	–	–
12	6	Do. Wrnts γ	10½	+½	–	–	–	–
6½	2	Wilton Group 1p γ	5¼	......	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	67	......
Craig & Rose £1 γ	710	......
Finlay Pkg. 5p γ	85	–1
Holt (Jos) 25p γ	£13½	......

IRISH

Cap. 8½% Ln. 1991	£99¾	......
9pc Cap Ln. 1996	£101½	......
Fin. 13% 97/02	£124¼	......
Arnotts	380	......
Carrol (P.J.) γ	145	......
Grafton Grp. γ	143	......
Hall (R. & H.)	152	......
Helton Hldgs. γ	61	......
Irish Ropes	175	......

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to improve

THE DOLLAR was under mixed pressures in currency trading yesterday, finishing towards the top of the day's range, and up from the close on Wednesday. Higher US interest rates, strong economic growth and the conflict with Libya all contributed towards a strong dollar base. But central bank intervention, and a continued awareness that a stronger dollar does nothing towards reducing the US trade deficit, managed to keep a lid on the dollar's firm undertone.

The West German Bundesbank sold small dollar sums during the morning, and backed this up with sales of $50.9m at the official fixing in Frankfurt, and further small scale intervention in the afternoon.

The extent of the intervention merely served as a reminder of the Bundesbank's displeasure over a continued dollar rise. A weaker D-Mark would increase the cost of imported goods and could put upward pressure on West German inflation.

However, the dollar is likely to retain its firm undertone ahead of the release today of US employment data for December. While most forecasters expect a smaller rise than the freak 463,000 in November, non-farm payroll employment is still expected to increase by around 260,000. A figure in that region could well put further upward pressure on US interest rates.

The US unit moved up against the Japanese yen, threatening to test key resistance at Y126.05. The failing health of Emperor Hirohito is working against the yen, since many Japanese institutions feel inhibited from taking their usual aggressive stance. His ultimate death could prompt a rash of yen sales.

The dollar rose to DM1.7945, its best level since the middle of October last year, and up from DM1.7875 on Wednesday. It was also firmer against the yen at Y125.60 from Y125.00. Elsewhere, it finished at SFr1.5300 from SFr1.5190, and FFr6.1300 compared with FFr6.1000. On Bank of England figures, the dollar's exchange rate index rose from 65.6 to 65.8.

Sterling failed to improve on Wednesday's closing levels, meeting strong resistance towards the DM3.24 level. While the attraction of high UK interest rates provides an underlying base, overseas investors are wary of increasing their sterling portfolios, believing that sterling is a little toppish at current levels.

On Bank of England figures, the pound's exchange rate index finished at 97.6, down from 97.9 at the opening.

Sterling fell against the dollar to $1.7980 from $1.8075, and was marginally weaker against the D-Mark at DM3.2275 from DM3.2300. Elsewhere, it finished at SFr2.7500 from SFr2.7450, and FFr11.0200 compared with FFr11.0250. Against the yen, it closed at Y225.75 from Y226.00.

Meanwhile, the French franc gained strength from comments by Mr Pierre Beregovoy, French Finance Minister, claiming that any D-Mark revaluation within the European Monetary System, would be matched by a revaluation in the French franc.

£ IN NEW YORK

Jan.5	Latest	Previous Close
£ Spot	1.7955-1.7965	1.8085-1.8090
1 month	0.60-0.58pm	0.57-0.54pm
3 months	1.68-1.64pm	1.62-1.57pm
12 months	5.25-5.15pm	5.05-4.95pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.5	Previous
8.30 am	97.9	98.0
9.00 am	97.8	98.0
10.00 am	97.8	98.0
11.00 am	97.8	98.0
Noon	97.8	98.0
1.00 pm	97.8	98.0
2.00 pm	97.7	98.0
3.00 pm	97.7	97.8
4.00 pm	97.6	97.9

CURRENCY RATES

Jan.5	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.741735	0.644947
U.S Dollar	6.50	1.34662	1.16361
Canadian $	8.75	1.60490	1.38296
Austrian Sch.	4	16.8206	14.6290
Belgian Franc	7.75	50.3030	43.6326
Danish Krone	7½	9.24320	8.03359
Deutsche Mark	3½	2.39469	2.08077
Neth. Guilder	4.5	2.70738	2.34852
French Franc	9½	8.19418	7.10154
Italian Lira	12½	1765.98	1529.69
Japanese Yen	2½	167.116	145.824
Norway Krone	8	8.82036	7.64960
Spanish Peseta	-	151.360	131.826
Swedish Krona	8½	8.22381	7.16554
Swiss Franc	3.5	2.03340	1.76637
Greek Drach.	20½	N/A	173.297
Irish Punt	-	N/A	0.778129

*All SDR rates are for Jan.4

CURRENCY MOVEMENTS

Jan.5	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.6	-14.2
U.S Dollar	65.8	-13.1
Canadian Dollar	101.6	-1.4
Austrian Schilling	106.8	+9.4
Belgian Franc	106.2	-6.0
Danish Krone	104.5	-0.6
Deutsche Mark	113.3	+20.9
Swiss Franc	109.0	+18.5
Guilder	110.5	+13.3
French Franc	98.9	-15.7
Lira	97.9	-20.0
Yen	151.3	+85.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Jan.4.

OTHER CURRENCIES

Jan.5	£	$
Argentina	29.3155-29.4760	16.3000-16.3800
Australia	2.0670-2.0695	1.1490-1.1500
Brazil	1417.95-1425.85	788.40-792.35
Finland	7.5070-7.5205	4.1770-4.1790
Greece	266.35-270.65	147.60-148.95
Hong Kong	14.0365-14.0500	7.8070-7.8090
Iran	124.20*	67.90*
Korea(Sth)	1232.20-1242.10	680.90-686.50
Kuwait	0.50780-0.50830	0.28220-0.28230
Luxembourg	67.65-67.75	37.60-37.70
Malaysia	4.8730-4.8850	2.7070-2.7090
[illegible]	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6326	+2.77	+0.90	±1.5344
Danish Krone	7.85212	8.02826	+2.24	+0.37	±1.5404
German D-Mark	2.05853	2.08077	+1.08	-0.79	±1.0981
French Franc	6.90403	7.10677	+2.94	+1.07	±1.3674
Dutch Guilder	2.31943	2.34852	+1.25	-0.62	±1.5012
Irish Punt	0.768411	0.778129	+1.26	-0.61	±1.6684
Italian Lira	1483.58	1531.43	+3.23	+2.09	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7940-1.8110	1.7975-1.7985	0.59-0.56cpm	3.84	1.65-1.60pm	3.62
Canada	2.1345-2.1600	2.1390-2.1400	0.49-0.39cpm	2.47	1.15-1.01pm	2.02
Netherlands	3.63¼-3.64¼	3.63¾-3.64¾	2¼-2⅛cpm	7.22	6¼-6⅛pm	6.80
Belgium	67.45-67.85	67.65-67.75	35-29cpm	5.67	97-89pm	5.49
Denmark	12.43¼-12.46¾	12.44½-12.45½	5⅞-5⅛orepm	5.30	16¼-15¼pm	5.04
Ireland	1.2030-1.2095	1.2040-1.2050	0.58-0.53ppm	5.53	1.47-1.37pm	4.72
W. Germany	3.22-3.23	3.22½-3.23	2⅛-2pfpm	7.67	6-5⅞pm	7.36
Portugal	264.00-265.85	264.25-265.25	47-parcpm	1.07	92pm-7cdis	0.69
Spain	203.65-205.10	204.00-204.30	36-25cpm	1.79	49-33pm	0.80
Italy	2362½-2376	2365½-2366½	4-2lirepm	1.52	8-4pm	1.01
Norway	11.84¾-11.88	11.85¾-11.86¾	1⅝-1⅛orepm	1.39	4¾-4¼pm	1.50
France	10.99-11.03	11.01¼-11.02¼	4⅛-4cpm	4.49	12-11¾pm	4.29
Sweden	11.08½-11.12	11.10¼-11.11¼	2⅞-2⅛orepm	2.90	8½-7½pm	2.88
Japan	225¼-226¼	225¼-226¼	1¾-1⅝ypm	8.97	4⅞-4⅝pm	8.31
Austria	22.64-22.71	22.68-22.71	13⅞-12⅝gropm	7.01	40⅞-37¼pm	6.93
Switzerland	2.73¼-2.75½	2.74½-2.75½	1⅞-1¾cpm	7.91	5⅞-5¼pm	7.64

Belgian rate is convertible francs. Financial franc 67.85-67.95. Six-month forward dollar 3.02-2.97cpm 12 months 4.97-4.87cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7940-1.8110	1.7975-1.7985	0.59-0.56cpm	3.84	1.65-1.60pm	3.62
Ireland†	1.4885-1.4985	1.4910-1.4920	0.28-0.33cdis	-2.45	0.70-0.80dis	-2.01
Canada	1.1865-1.1945	1.1890-1.1900	0.12-0.15cdis	-1.36	0.46-0.50dis	-1.62
Netherlands	2.0115-2.0280	2.0220-2.0230	0.63-0.60cpm	3.65	1.80-1.76pm	3.52
Belgium	37.35-37.70	37.60-37.70	7.00-5.00cpm	0.64	20-17pm	1.97
Denmark	6.87¼-6.93	6.92¼-6.92¾	1.10-0.70orepm	1.57	3.00-2.50pm	1.59
W. Germany	1.7805-1.7980	1.7940-1.7950	0.59-0.56pfpm	3.85	1.70-1.66pm	3.75
Portugal	147-147½	147¼-147¾	20-45cdis	-2.65	65-115dis	-2.44
Spain	112.80-113.55	113.40-113.50	17-22cdis	-2.07	75-82dis	-2.77
Italy	1311½-1318	1315¾-1316¾	1.70-2.70liredis	-2.01	7.00-9.00dis	-2.43
Norway	6.55¾-6.60	6.59½-6.60	1.10-1.50oredis	-2.37	3.00-3.50dis	-1.98
France	6.08¼-6.13¾	6.12¾-6.13¼	0.45-0.35cpm	0.78	1.30-1.15pm	0.47
Sweden	6.13½-6.18	6.17½-6.18	0.25-0.45oredis	-0.68	0.90-1.30dis	-0.71
Japan	125.00-125.75	125.55-125.65	0.53-0.51ypm	4.97	1.52-1.49pm	4.80
Austria	12.53¾-12.62½	12.62-12.62½	3.75-3.15gropm	3.29	11.60-10.00pm	3.43
Switzerland	1.5115-1.5320	1.5295-1.5305	0.57-0.53cpm	4.34	1.63-1.59pm	4.23

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.70-37.80.

EURO-CURRENCY INTEREST RATES

Jan.5	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	13-12⅞	13-12⅞	13⅛-13	13¼-13⅛	13¼-13⅛	13⅛-13
US Dollar	9-8⅞	9⅛-8⅞	9⅛-9⅛	9⅝-9⅛	9⅝-9½	9⅞-9¾
Can. Dollar	10⅛-9⅞	10⅛-10	10⅝-10⅛	11⅛-10⅞	11⅜-11⅛	11½-11¼
D. Guilder	5⅜-5⅛	5⅜-5½	5⅞-5⅝	5⅞-5⅝	5⅞-5⅝	6⅛-5⅞
Sw. Franc	5⅛-5	5⅛-4⅞	5⅛-5	5⅛-5⅛	5⅛-5⅛	5⅛-5⅛
Deutschmark	5⅞-5⅝	5⅞-5⅝	5⅞-5⅝	5⅞-5⅝	5⅞-5⅝	5⅞-5⅝
Fr. Franc	8⅝-8⅜	8⅝-8⅜	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝	8⅞-8⅝
Italian Lire	12-10	11-9½	11½-11	12-11½	12¼-11¾	12⅜-12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Jan.5	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL FUTURES

January sales hit short pound

REPORTS OF strong demand at the UK January high street sales were a factor behind a weaker tone in short sterling futures on the Liffe market yesterday.

Fears that this could lead to another rise in UK bank base rates combined with a weaker pound to depress the contract.

March three-month sterling futures opened lower at 86.97, and closed at 86.94, compared with 87.01 on Wednesday.

Growth in turnover of the short sterling contract was the major feature on the Liffe market last year. Volatile UK interest rates made short sterling the fastest growing contract. Volume in December was 307,420 lots, up 179 p.c., from the same period of 1987.

Volume in all contracts during the year was 15.55bn lots, a rise of 15 p.c. from 1987.

In overall terms December was inevitably a quiet month, as trading wound down towards the year-end. Total volume fell 25 p.c. in December, from November, but was 43 p.c. higher than in December the previous year.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
88	646	805	0	3
90	448	612	2	10
92	256	422	10	20
94	117	247	35	45
96	24	133	142	131
90	7	45	325	243
100	2	21	520	419

Estimated volume total, Calls 1541 Puts 235
Previous day's open int. Calls 17621 Puts 14614

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	624	638	8	38
84	434	503	10	103
86	257	341	41	141
88	133	230	117	230
90	43	139	227	339
92	17	63	401	463
94	7	38	555	638

Estimated volume total, Calls 115 Puts 55
Previous day's open int. Calls 2499 Puts 3914

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
17000	1358	98
17500	968	208
18000	646	386
18500	402	642
19000	231	971
19500	123	1362
20000	61	1801

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; FT-SE 100 INDEX; THREE MONTH EURODOLLAR; US TREASURY BONDS 8%; POUND-$ (FOREIGN EXCHANGE); 6% NOTIONAL GERMAN GOVT. BOND

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); STERLING (IMM); SWISS FRANC (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM); STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 65,442
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Slightly firmer

AN EASING of sterling on the foreign exchanges, and a large day-to-day credit shortage in London, encouraged an upward move in interest rates on the money market yesterday.

Three-month sterling interbank rose to 13¼-13⅛ p.c. from 13⅛-13 p.c., as the market began to adjust to a period of large credit shortages caused by seasonal tax payments.

The Bank of England initially forecast a money market shortage of £1,100m, but revised this to £1,150 at noon, and back to £1,100m in the afternoon. Total help of £1,140m was provided.

UK clearing bank base lending rate 13 per cent from November 25

An early round of help was offered, and at that time the Bank of England bought £99m bills, including £59m outright, by way of £6m bank bills in band 3 at 12⅞ p.c., and £53m bank bills in band 4 at 12¾ p.c. Another £40m bills were purchased, for resale to the market, in equal amounts on January 10 and 11, at a rate of 12⅞ p.c.

In further operations before lunch the authorities bought £645m bills, including £530m outright, through £10m Treasury bills in band 1 at 12¾ p.c.; £274m bank bills in band 1 at 12¾ p.c.; £1m bank bills in band 2 at 12⅞ p.c.; £31m bank bills in band 3 at 12⅞ p.c. and £214m bank bills in band 4 at 12¾ p.c. Another £115m bills were bought, for resale to the market, in equal amounts on January 10 and 11, at 12⅞ p.c.

In the afternoon the Bank of England bought £396m bills outright, via £141m Treasury bills in band 1 at 12¾ p.c., and £255m bank bills in band 1 at 12¾ p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £687m, with Exchequer transactions absorbing £470m, and bank balances below target £40m. These factors outweighed a fall in the note circulation adding £75m to liquidity.

In New York the Federal Reserve added funds to the banking system, through four-day system repurchase agreements, when Federal funds were trading at 9.00 p.c.

In Frankfurt the Bundesbank left credit policies unchanged at yesterday's council meeting. Call money continued to fall, following the Bundesbank's net input of funds at this week's securities repurchase agreement tender. Dealers said the central bank appears to be succeeding in moving the call rate down from the Lombard emergency funding level of 5.50 p.c. Call money eased to 5.30 p.c. from 5.375 p.c. yesterday.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.5) 3 months US dollars		6 months US Dollars	
bid [illegible]	offer 9⅝	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]	[illegible]	[illegible]	[illegible]

Jan.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

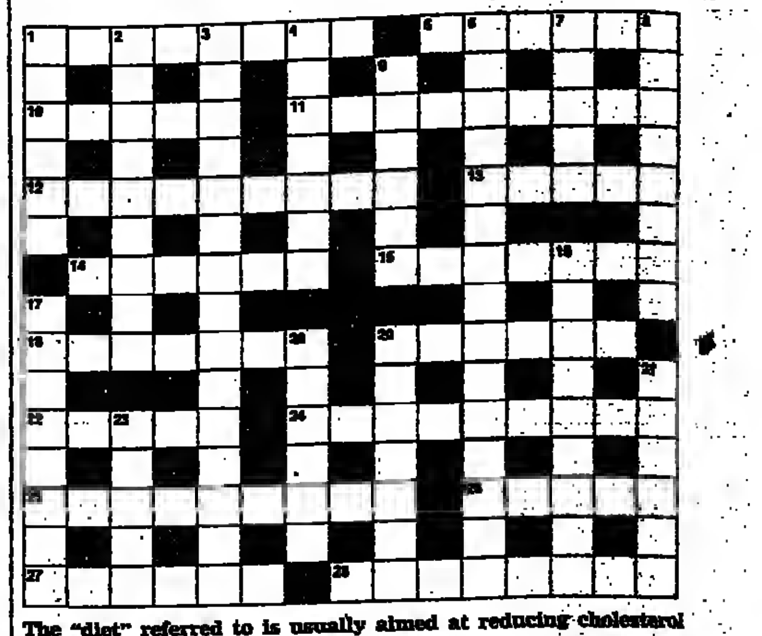
Jan.5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BASE LENDING RATES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CROSSWORD

No.6,827 Set by CINEPHILE



The "diet" referred to is usually aimed at reducing cholesterol level.

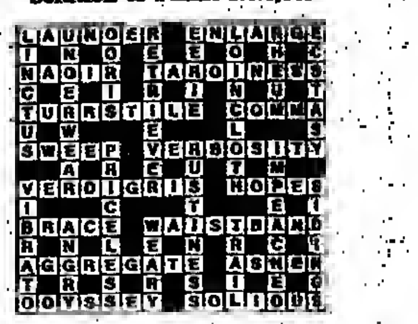
ACROSS

1 Fellow from the hills finds county's island (8)
5 A number among egents may improve diet (6)
10 String put wearying machine in bad light (9)
11 Wolf nurse maybe with seeds for diet (9)
12 Complains at wood in British diet (9)
13 Source of liquid refreshment could be d— rude (5)
14 Diet etc. provided by government? (5)
15 Item of diet to forsake, we hear (7)
18 Medicine gives beast of burden look in (7)
20 Little flowers for pet and family (6)
22 See 2 down
24 Chemical heater supplying liquid refreshment and a bun? (5-4)
25 Transatlantic objects in a Cinerama production (9)
26 Aristocratic newspaper? (5)
27 Liquid refreshments may be stood (6)
28 Problem for two men without advertising account? (8)

DOWN

1 Buddhist shrine for Latin graduate? (6)
2, 22 Western opening for compiler with a pound to study diet (9,5)
3 Mike's mike's 1551 metres out for liquid diet (4-7,4)
4 South wind goes East — simple! (7)
6 Muddled up only when getting soaked, which is good for diet (15)
7 Source of liquid refreshment to journalist that's frightened (8)
8 Transatlantic students make rosy trio (8)
9 Slid southwards in the buff (6)
16 Poem about northern wine bending down from stalk (9)
17 Blackleg poet holding sword (8)
19 Wolf upset at diet (3-3)
20, 21 White robe for birds surrounding Guevara with diet (7,6)
23 Resin from English lime, possibly (5)

Solution to Puzzle No.6,826



JOTTER PAD

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WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices.

CANADA

TORONTO
2pm prices January 5

f—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Jan 4	Jan 3	Dec 30	Dec 29	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2177.68	2144.64	2168.57	2182.68	2183.50 (21/10/88)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.42	88.47	88.59	88.53	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	978.76	959.95	969.84	973.61	978.76 (4/1/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.76	184.15	186.28	186.82	190.02 (29/1/88)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2183.39 (2168.39) Low 2146.61 (2127.14)

STANDARD AND POOR'S	Jan 4	Jan 3	Dec 30	Dec 29	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	279.43	275.31	277.72	279.40	282.88 (20/10/88)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	323.44	318.66	321.26	323.38	327.53 (24/10/88)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.77	24.30	24.49	24.63	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	157.06	154.98	156.26	156.90	159.01 (20/10/88)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	307.77	305.24	306.01	303.69	309.33 (10/6/88)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	382.76	378.56	380.38	379.05	394.77 (18/7/88)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 30	Dec 23	Dec 16	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.70	3.73	3.57
	Dec 28	Dec 21	Dec 14	year ago (approx.)
S & P Industrial div. yield	3.20	3.19	3.22	3.31
S & P Indl. P/E ratio	12.86	12.86	12.73	16.39

TRADING ACTIVITY † Volume

Millions	Jan 4	Jan 3	Dec 30
New York	149.700	128.500	127.210
Amex	12.321	7.090	16.240
OTC	121.273	93.658	136.938

NEW YORK	Jan 4	Jan 3	Dec 30
Issues Traded	1,955	1,975	1,994
Rises	1,182	604	934
Falls	328	939	585
Unchanged	445	432	475
New Highs	42	25	55
New Lows	8	19	21

CANADA

TORONTO	Jan 4	Jan 3	Dec 30	Dec 29	1988/89 High	1988/89 Low
Metals & Minerals	3297.5	3207.5	3253.4	3240.0	3297.5 (4/1/89)	2238.7 (8/2/88)
Composite	3381.7	3363.1	3390.0	3372.0	3465.4 (5/7/88)	2977.9 (8/2/88)
MONTREAL Portfolio	1693.89	1677.48	1698.00	1694.84	1723.71 (5/7/88)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Marion Laboratories	2,008,700	22⅞	+ 1⅝	Most Pwr (nd)	1,276,500	35	– ½
Savin Bus	1,823,500	⅜	.....	IBM	1,270,800	122½	+ ⅝
RJR Nabisco	1,531,000	90⅝	+ ½	Oklaho G&E (nd)	1,268,000	32½	– ⅛
Exxon	1,386,500	44	+ ¼	Mgmt Assist	1,231,800	⅜	– 1/16
AT&T	1,286,900	28⅞	+ ¼	Ford Motor	1,195,400	51⅞	+ ⅜

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 5	Jan. 4	Jan. 3	Jan. 2	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1473.7	1471.2	1480.0	(c)	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	671.3	672.5	675.7	(c)	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	223.26	222.50	221.0	219.5	225.48 (4/11/88)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/80)	5525.10	5519.30	5520.70	(c)	5565.5 (29/12/88)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	285.32	281.11	279.78	277.44	285.32 (5/1/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	725.0	723.3	723.2	725.8	772.1 (8/8/88)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	426.3	417.9	418.4	(c)	426.3 (5/1/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	102.4	100.8	100.5	(c)	102.4 (5/1/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	567.51	566.17	560.77	548.23	567.51 (5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1705.6	1701.4	1685.1	1647.2	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1371.10	1365.08	1359.33	1335.01	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2798.54	2736.83	2706.69	(c)	2772.53 (12/7/88)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	598.78	599.51	598.27	593.23	599.51 (4/1/89)	423.91 (9/2/88)
JAPAN**						
Nikkei (16/5/49)	30183.79	30243.66	(c)	(c)	30243.66 (4/1/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2368.09	2375.30	(c)	(c)	2375.30 (4/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	293.8	291.4	291.6	289.3	293.8 (5/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	258.3	256.1	256.2	252.8	258.3 (5/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	486.8	479.38	472.96	467.17	486.80 (5/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1034.13	1030.69	1034.23	(c)	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1298.04	1295.0	1293.0	(c)	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	1993.04	1972.0	1961.0	(c)	1972.0 (4/1/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	273.44	273.36	276.02	276.05	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3388.70	3352.3	3333.9	3314.06	3443.8 (30/12/88)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	618.1	613.4	613.1	(c)	618.1 (5/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	497.1	497.2	495.1	497.2 (3/1/89)	401.0 (21/1/88)

**Saturday Dec. 31: Japan Nikkei (c) TSE (c) ♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 5 January 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Japan Line	75.7m	284	+11	C. Itoh	16.9m	1,010	-20
Kawasaki Steel	36.9m	920	-22	Yamashita Shin-nihon Stmshp	16.8m	440	-20
Tokyo Keiki	23.1m	1,290	+140	Marubeni	13.8m	841	-12
NKK	21.1m	917	-4	Kansai Elec Pwr Co (KEPCO)	13.2m	5,180	+80
Nippon Steel	17.2m	857	-3	Mitsubishi Heavy Ind	12.9m	1,020	+20

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FINANCIAL TIMES

3pm prices January 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	18⅝	AAR	.44	1.8	17	38	28	24⅞	28	
10⅛	8⅞	ACM n	1.01	11.		165	9⅞	9¼	9⅞	
12⅛	10¼	ACMIn	1.26a	12.		698	11	10⅞	10⅞	+ ⅛
10⅞	8½	ACM M	n.17e	1.9		138	9⅞	9⅞	9½	+ ⅛
12⅛	10½	ACMSc	n1.26	12.		659	10⅞	10⅛	10½	+ ⅛
10⅛	8½	ACMSp	n1.01e	11.		308	9⅛	8⅞	9	+ ⅛
5⅞	2⅞	AMCA	.12e	3.7		146	3⅞	3⅛	3⅛	– ⅛
8⅛	3⅞	AM Intl				632	5⅛	5⅞	5⅛	+ ⅛
25¼	10⅛	AM Int pf	2	9.1		61	25	21⅞	22	+ ⅛
58	32⅞	AMR			9	5085	54⅛	53⅞	54⅞	+ ½
9½	5⅛	ARX			19	58	6⅞	6	3½	
54⅛	35¼	ASA	3a	7.7		287	39⅛	38⅞	38⅞	+ ⅛
20⅛	13⅞	AVX	.24	1.4	10	46	17⅞	17⅞	17⅞	+ ⅛
60⅞	42⅞	AbtLab	1.20	2.9	18	2188	48⅞	48⅛	48⅞	+ ⅛
21⅞	15⅞	Abitibi g	1			121	16½	16⅛	16⅞	
19⅞	7½	AcmeC	.40	4.1		258	9⅛	9⅞	9⅞	
6⅞	6⅞	AcmeE	.32b	0.1	27	13	6⅞	6¼	9⅛	
29½	15⅞	Acuson			24	1165	25⅛	24⅞	35	– ⅛
17	14½	AdaEx	1.82e	12.		123	14⅛	14⅞	14⅞	– ⅛
16⅞	7⅛	AMD			17	11076	9⅞	8⅞	9⅛	+ ⅛
42½	28⅛	AMD pf	6	9.7		18	27	30⅞	31	+ ⅛
9½	5⅛	Adobe				21	6⅞	6⅞	3⅞	
18½	10⅞	Adob pf	1.84	11.		1	16⅞	10⅞	13⅞	+ ⅛
9⅛	6⅞	Advest	.13	1.6	25	40	7½	7½	7½	– ⅛
52½	54½	AetnLf	2.76	5.7	6	2536	48⅛	47½	48¼	+ ½
37⅞	24	AfilPb s	.22	.6		383	38⅛	34⅞	35	– ⅛
16⅞	13⅛	Ahmans	.88	5.4	18	7400	16⅞	16⅛	13⅞	+ ⅛
4⅞	1⅞	Aileen			23	141	6⅞	3⅞	3⅞	
63⅞	36½	AirPrd	1.20	2.7	11	2734	44½	43⅞	44⅞	– ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Triumphs in TV technology...

Video
Audio
Home Appliances

SAMSUNG
Electronics

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18¾	6⅛	Ramad				480	9¼	9⅛	9⅛	
8½	4	RangrO			36	184	6⅛	6	6	− ⅛
54¼	32⅞	Raycm	.32	.9	11	1803	35⅝	35	35⅜	− ⅛
12½	6	RJamFn	.20	1.9	11	21	10⅞	10¾	10¾	
21⅝	15⅜	Rayonr	2.60	14.	9	24	19¼	19	19⅛	+ ⅛
8½	2⅞	Raytch	.06e	1.7		18	3	2⅞	3	
73⅞	61	Raythn	2	3.0	9	2188	67⅛	67	67⅝	+ ⅛
2½	½	ReadBt				274	⅞	13-16	13-16	− 1-16
9¼	1¼	RdBat pf				40	2	2	2	+ ⅛
19	16¼	REIT	1.36	8.7	15	88	16⅞	15⅝	16⅞	
15	3½	RecnEq				380	11⅞	11⅛	11⅞	
18⅛	9½	Reebok	.30	2.5	8	5820	12¼	11⅞	12⅛	+ ⅛
1	⅛	Regal				46	¼	7-32	¼	
6¾	5¼	ReglFn	.24e	3.9		172	6⅛	6	6⅛	
16⅞	12⅞	ReichTg	1.76	13.	8	5	13⅛	12⅞	13⅛	+ ⅛
7½	4½	RelGrp	.32	6.9	6	81	4⅝	4½	4⅝	
6⅞	4¼	RepGyp	.20	4.3	20	7	4⅞	4⅝	4⅝	− ⅛
45⅛	39½	RepNY	1.20	2.8	11	2700	43¼	43	43	
24⅞	14½	Rxene	n.30e	1.4		216	21⅞	21⅞	21⅞	
56	34	RevMg	1	1.8	7	4886	55⅞	54¼	55⅛	+ ⅛
40⅝	20⅛	RhoAld	.74	2.3	14	1856	32½	32⅛	32⅛	
[illegible]										

−X−Y−Z−

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
63	50⅛	Xerox	3	5.1	10	1839	58¾	58⅛	58½	+ ⅛
50½	46	Xerox pf				12	46⅞	46⅞	46⅞	
38⅝	21⅛	XTRA	.72	2.5	13	48	38⅝	38	38¼	− ⅛
3⅞	2	Zapata				262	2¼	2⅛	2⅛	− ⅛
27⅛	14¼	Zayre	.40	1.5	168	5709	25½	25	25¾	+ ⅛
15½	6¼	Zemex	.40	3.0	17	2	13⅛	13⅛	13⅛	
30	13⅛	ZenithE				754	12⅝	13⅝	19	− ⅛
10⅛	9	Zenln	n.50e	6.3		252	9½	9¼	9⅜	
3⅞	1	vjZenLb				127	1⅛	1½	1⅛	+ ⅛
21⅝	13⅛	ZenNtl	.80b	4.6	6	70	17⅞	17½	17⅞	+ ⅛
19½	16	Zero	.44	2.4	19	300	18⅛	17⅞	18⅝	+ ½
28	15⅞	Zurnln	.68	2.3	12	91	27⅛	25⅞	27	+ ⅛
11⅛	8⅞	Zweig	1.04	10.		x224	10⅜	10⅛	10⅛	+ ⅛
12⅛	6	ZweigT	n.16e	1.7		x347	9⅞	9⅛	6⅞	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 5

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prism			34	6⅛	6	5⅛	+ ⅛
ProMed	.42		43	4	6⅞	6⅞	
ProfCre		8	15	2⅝	2¼	5⅝	+ ⅛
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 5

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

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AMERICA

Blue chips lead Dow to new high

Wall Street

INVESTORS appeared to shrug off concerns about employment figures as the Dow Jones Industrial Average started piling on gains at midsession, after it had struggled to make progress above the old closing high set on October 21 for most of the morning, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 17.86 points higher at 2,195.54. The previous post-crash closing high in October was 2,183.50. Volume yesterday was still only moderate with 108m shares changing hands by midsession.

A dull day had been expected with many concerns weighing on the market. Prime among these was the publication today of December unemployment and employment figures amid uncertainty about what the US Federal Reserve intends for monetary policy.

With Fed Funds trading well above 9 per cent throughout this week, many analysts had started to conclude that the Fed had already initiated another tightening in monetary policy.

However, this appeared to become less clear yesterday when the Federal Reserve announced that it was executing four-day system repurchase agreements, a more aggressive addition of reserves than many had anticipated, which swiftly brought the Fed Funds rate down to below 9 per cent for the first time this week. By midsession, Funds were trading at 8⅞ per cent.

The other focus of the day was the dollar which continued to be well bid yesterday and withstood well publicised and repeated sales by the Bundesbank at levels of DM1.7905 and DM1.7920. At the New York midsession, the dollar was quoted at DM1.7955. Against the Japanese yen, it was quoted at Y125.70, a high for the session.

Trading in the stock market has been volatile for several sessions but there has been little overall movement or trend. In the last two trading days before the extended New Year weekend, the Dow first added around 16 points and then lost 14 points. This week, the index fell nearly 24 points on Tuesday and then jumped 33 points on Wednesday.

Activity has been fairly thin and movements have clearly been exaggerated by waves of stock index arbitrage which was responsible for the sudden surge in blue chips in the last hour of trading on Wednesday.

It was not easy to pinpoint the reason for the Dow's gains although the strong dollar and the weaker Fed Funds rate may have had an effect.

Blue chip issues posted healthy gains yesterday. Proctor & Gamble jumped $1⅛ to $86⅞, Merck added $⅞ to $58¾, Philip Morris edged $⅝ higher to $102⅝ and International Business Machines was also up $⅞ at $122⅞.

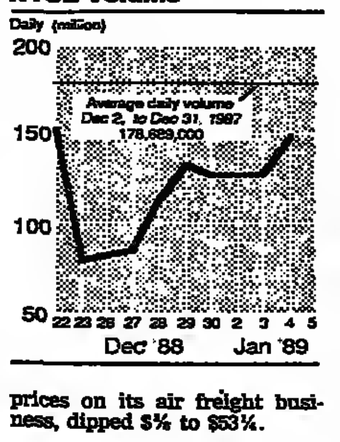
General Motors added $⅞ to $84⅞ after company officials said that 1988 net income would beat the record of $4.52bn in 1984.

Sears, Roebuck jumped $⅞ to $41⅞. The company announced that its December retail sales had been 12.1 per cent higher than a year earlier. Retailing stocks were generally higher as stores reported the results of the Christmas period which were encouraging.

K Mart added $⅝ to $35⅞, J C Penney gained $⅞ to $52⅞, F W Woolworth jumped $1⅛ to $52⅞ and The Limited surged $1⅞ to $30.

Tambrands slumped $2⅞ to $55 after the company said it expected to announce fourth quarter net income of around 66 cents a share, little changed from a year earlier.

Federal Express, which rose sharply earlier this week on news that on of its main competitors was seeking higher prices on its air freight business, dipped $⅝ to $53⅞.



Canada

GAINS among energy issues and base metals bouyed earlier rises in Toronto with activity restrained as investors stayed on the sidelines before today's US employment report.

The composite index, which had risen about 4 points in earlier trading, moved ahead 15.7 to 3,397.5.

EUROPE

Heavy trading in LVMH stokes up Parisian gains

EXCITEMENT in Europe yesterday centred on Paris, where hectic trading in luxury goods group LVMH sent turnover and prices up sharply, *writes Our Markets Staff.*

PARIS was dominated by LVMH, which ended the session 20 per cent higher after a temporary suspension.

The heavy demand, which was estimated by one trader at 245,000 shares in the main session, fuelled speculation that Mr Bernard Arnault, chairman of Financière Agache, was building up his stake. Indosuez, the broker used by Agache, was reported to be bidding for LVMH stock all day and after the market closed there were still six buy orders for about 67,000 shares outstanding.

LVMH soared FFr691 to FFr4,141, renewing rumours that it would be split up. Analysts believe Mr Arnault is particularly interested in LVMH's Christian Dior perfumes operation to complement his Christian Dior fashion company. Mr Arnault is close to the Moët Hennessy camp and family members there are thought to be willing to sell at the right price. Agache owns 38 per cent of LVMH jointly with Guinness of the UK.

The LVMH activity boosted bourse volumes well past the FFr1.7bn seen on Wednesday and helped send share prices up by about 2 per cent. The CAC General index opened above last year's record high, up 8.4 at 426.3, and the OMF 50 index rose 8.7 to 449.83.

Elsewhere, Synthélabo, the pharmaceuticals offshoot of L'Oréal, jumped by 12.3 per cent, amid rumours that L'Oréal was interested in selling its stake. Groupe de la Cité fell FFr50 to FFr3,360 after withdrawing from its white knight status in the bid for UK book publisher William Collins.

FRANKFURT remained strong after its hefty advance earlier in the week, but profit-taking trimmed gains towards the close. Turnover remained active at DM4.9bn.

The market started well in the wake of Wall Street's overnight climb and the dollar's surge and by midsession the FAZ index had crept up 1.34 to 567.51. The real time DAX index, launched in July, reached an all-time high of 1,376.64 before easing to close 6.02 better at 1,371.10.

The reshuffle of weightings in the FAZ index at the start of the week has been seen as a key factor in market movements. According to Mr Chris Doe of brokers Hoare Govett: "Almost all of the activity this week has been due to these changes." Foreign investors do not use the FAZ, he says, whereas domestic institutions, who have been behind most trading this week, do.

He attributes the strong performance of Nixdorf, the computer stock, this week to its inclusion in the index for the first time. Nixdorf climbed DM17.50 yesterday to DM324.50.

Other popular stocks included Daimler, up DM8 at DM773, chemical BASF, which gained DM4.70 to DM292.50 on the day's second most active trading worth DM408m, and Metallgesellschaft, up a strong DM21 at DM375.

AMSTERDAM also saw an early advance payed by profit-taking and the CBS all-share index gained 0.4 to 160.2 in active trading.

The stock exchange announced it had agreed with listed companies that their existing takeover defences could remain in place until 1992. This replaces a more radical plan to impose limits to takeover protection by the end of 1990.

Analysts felt the move would have only a limited impact on shares, since there has already been so much public opposition from industrialists to the original plan. However, one analyst commented: "Amsterdam will not be a good place for raiders for several years."

Akzo, which said after the close that it expected clearly higher profits for 1988, ended off 10 cents at Fl 154.70.

Transport and trading company Internatio-Mueller rose Fl 1.50 to Fl 80.50. It announced it had raised its share capital by 2 per cent to finance the purchase of Tal Beheer, a medical equipment company.

ZURICH had another lively day, with investors shopping for registered shares and participation certificates. The Credit Suisse index climbed 5.9 to 537.3.

Insurer Swiss Re saw its PCs rise SFr70, or 4 per cent, to SFr1,700, while its bearers rose to SFr10,300, up SFr325, helped by domestic analysts' bullishness on the insurance sector.

MILAN was fairly featureless before today's closure for Epiphany, and stocks appeared to be meeting resistance at 600 on the Comit index, which eased 0.73 to 598.78.

Brokers BZW said that if Fiat, up L65 at L9,950, rose through L10,000 in the next two or three trading days, it expected the Comit index to breach 600 and the market to rise by at least 10 per cent in the next two months.

MADRID ended little changed amid continuing cautiousness, with the general index adding just 0.08 to 273.44.

Telefónica put in one of the session's best performances, rising 4.2 percentage points to 201.7 per cent of nominal market value.

BRUSSELS began the fortnightly trading cycle buoyed by Wall Street's earlier gains.

Steelmakers featured with Cockerill rising BFr2 to BFr237 with about 45,000 shares changing hands and Clabecq gaining BFr10 to BFr1,530. Arbed finished up BFr60 at BFr3,980 in volume of 7,600 shares.

Asturienne rose BFr68 to BFr1,370 on reports that higher zinc prices would boost its revenues and amid continued speculation that parent company Société Génerale de Belgique might purchase outstanding shares in the company.

OSLO reached another post-crash high with most interest coming from foreign investors, mainly London-based, who again concentrated on the buoyant shipping sector. The all-share index rose 5.30 to 361.10 in large turnover worth NKr540m.

One analyst said firm oil prices reinforced the belief that interest rates would continue to fall and erased fears of a devaluation in the currency, while industrial activity continued to grow.

Featured stocks were Norsk Data voting 'A' shares which rose NKr1 to NKr47 and metals producer Elkem, with a gain of NKr3.50 to NKr180.

SOUTH AFRICA

DEMAND for blue chips continued the recent firm trend although trading was thin and cautious. Vaal Reefs rose R2 to R264 while Driefontein gained 25 cents to R33.

ASIA PACIFIC

Emperor's deterioration prompts sharp fall

Tokyo

AFTER shooting up happily in early trading, share prices were sent falling sharply to close at a moderate loss on news that the Emperor's condition had taken another turn for the worse, *writes Michiyo Nakamoto in Tokyo.*

The session began with investors stepping up the buying spree that opened the year's trading on Wednesday and pushing the Nikkei average up by 124.99 in the first hour. News that the Emperor's blood pressure had dropped sent a wave of nervous selling through the market, leaving share prices down 156.19 at 30,087.47 by the morning close.

Later buying of specific issues helped contain the losses and the Nikkei average finished the day 59.87 lower at 30,183.79. The initial wild swing gave yesterday's market a wide trading range between a high of 30,397.51 and a low of 30,082.81. Declines led gains by 474 to 396 while 164 issues were unchanged.

Volume was fairly weak at 798m shares against a half-day figure of 403m on Wednesday.

The Topix all-share index fell 7.21 to 2,368.09 while in London the ISE/Nikkei 50 index rose 3.52 to 1,941.71.

Deteriorations in the Emperor's condition have affected the market several times since he became seriously ill in September last year. Yesterday's report by court physicians that the Emperor was not responding well to treatment initially caused something of a panic, but investors eventually managed to regain their calm. The dollar's sharp rise against the yen on news of the US navy's shooting of two Libyan jet fighters and the expected announcement of US unemployment figures today added further uncertainty to a volatile session.

Investors focused on issues related to the day's events. The shooting down of the Libyan jet fighters triggered renewed interest in defence, which many analysts expect to become an important theme this year. The likely advent of a new Emperor in the not-so-distant future also makes defence an issue as it would break a vital link with Japan's past and its role in the Second World War, helping to overcome the nation's hesitation about building up its defence capability, according to an analyst at Kleinwort Benson International.

Tokyo Keiki, the aircraft and marine instruments manufacturer, advanced Y140 to Y1,290. Mitsubishi Heavy Industries, the leading subcontractor to the Defence Agency, added Y20 to Y1,020.

Downturns in the Emperor's condition tend to focus interest on paper stocks which could see business increase as a new imperial era would require the reprinting of documents and forms. Paper companies have also gained recently on better earnings. Oji Paper was up Y60 at Y1,860 and Jujo Paper rose Y40 to Y1,280.

The dollar's rise strengthened export stocks with Sony up Y110 at Y7,210 and Canon gaining Y40 to Y1,500.

Interest returned to underperforming pharmaceuticals. Yamanouchi Pharmaceutical and Daiichi Seiyaku both firmed Y40 to Y4,020 and Y2,970, and Dainippon Pharmaceutical rose Y30 to Y2,300.

Investors in Osaka turned equally bearish on news of the Emperor's condition but share prices fared better with the OSE average closing up 51.57 at 28,135.40. Volume was still thin at 69m compared with a half-day turnover of 28.6m on Wednesday. Kinki Electrical Construction, an electrical engineering company based in Osaka, added Y120 to Y2,970. A large portion of Kinki's shares belongs to Kansai Electric Power Company which has been a popular issue recently.

Roundup

IT WAS a mixed day in Asia Pacific markets, with Hong Kong rising strongly and Singapore active while Australia remained lacklustre and Taiwan fell heavily.

AUSTRALIA failed to take courage from Wall Street's strong rise on Wednesday and closed only marginally higher in its third consecutive day of thin turnover. The All Ordinaries index finished 2.5 better at 1,473.6 in volume of 78m shares worth A$124m.

Among highlights, some 10m shares changed hands in Brierley Investments at 98 cents, and Rothmans saw special sales of 581,000 shares at A$9.60.

Banking stock ANZ was the most active issue on 1.76m shares, rising 14 cents to A$5.62; the share goes ex a 22 cent dividend on Monday. Challenge Bank, the subject of a bid from Advance Bank, rose 10 cents to A$4.05.

Advertiser Mojo MDA jumped 15 cents to A$2.25 on its discussion of joint ventures with international agencies.

SINGAPORE shook off new year malaise as demand focused on hotel and property stocks amid reports that more hotels are planned for the island.

The Straits Times industrial index put on 3.44 to 1,034.13 and turnover jumped to 53.6m shares worth S$73.5m, from Wednesday's 22.1m shares.

More than 10m Singapore Land Rights changed hands on their last trading day to close 4 cents lower at 60 cents.

TAIWAN closed sharply lower on its first trading day this year, largely on worries over the reimposition on Monday of a capital gains tax. The weighted index lost 245.93 to 4,873.18 in thin turnover.

Property issues boost Hong Kong

Year of the Dragon is enjoying a late rally, writes Michael Marray

THE HONG Kong stock market has got off to a roaring start to 1989, with the first three trading sessions pushing the Hang Seng index np by 71 points on the back of some of the heaviest turnover seen since the 1987 crash.

Yesterday the index briefly surpassed the post-crash high of 2,772 before settling back late in the day to close up 21.7 points at 2,758. Turnover stood at HK$1.81bn, up from HK$1.32bn on Wednesday.

The sndden rally has been property-led, helped by a number of year-end reports forecasting continued buoyancy in the property sector, despite big rises in both rentals and sale prices during 1988.

"People have taken heart from all the prognostications for 1989 on property," said Mr Richard Witts, managing director of Schroder Securities, who noted that *shares* in investment property companies were particularly in demand.

Mr Witts added that the government land anction of a large site in the fast-developing Wanchai district on January 25 should keep investor interest firmly focused on property.

"We believe that this run is intact until the land auction," agreed Mr Malcolm Surry, director of institutional sales at CL-Alexanders Laing and Cruickshank. Mr Surry said that the price paid at the auction would determine where the market goes from there.

In addition to widespread bullishness on property, the corporate results season is once again drawing near, and the big increases in profits expected in most sectors should give yet another fillip to the market.

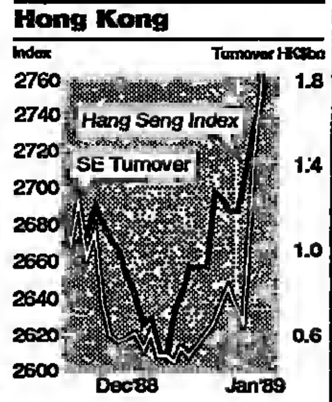
On the negative side inflation remains the single biggest concern of investors. The Government's ability to fight inflation is constrained by the currency link with the US dollar, and with a labour shortage pushing wages up, inflationary forces look set to gather strength in 1989.

The heavy turnover seen during the past two days has come as a pleasant surprise to brokers, signalling the return of the big institutions to the market.

Mr Chris Chong, analyst at James Capel, said that many overseas fund managers had been happy to minimise their exposure to Hong Kong while doing their end-of-year window-dressing, bnt were now willing to commit themselves again. The Hang Seng Index rose by only 16.7 per cent during 1988 and Mr Chong argues that on fundamentals this was a serious underperformance.

"We are now seeing both foreign and local buying coming in quite strongly," he said.

Mr Terry Fok, director at Smith New Court Far East, said that Hong Kong was one of the most undervalued markets in the world, with large discounts to net asset value. Strong growth in earnings was not yet reflected in share prices.



According to local tradition there should always be a rally in the run-up to Chinese new year, and hopes are high that the Hang Seng index will have risen even further by the time the Year of the Dragon draws to a close, ushering in the Year of the Snake on February 6.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 4 1989					TUESDAY JANUARY 3 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	145.59	−0.6	119.42	110.88	4.84	146.48	119.13	112.14	152.31	91.16	102.60
Austria (18)	96.70	−0.9	79.32	89.52	2.75	97.53	79.32	89.27	100.00	83.72	94.42
Belgium (63)	133.06	−1.5	109.14	123.38	4.09	135.03	109.82	123.54	139.89	99.14	102.82
Canada (126)	125.76	+0.9	103.15	108.60	3.36	124.67	101.39	107.48	128.91	107.06	115.42
Denmark (39)	159.61	−0.1	130.92	149.79	2.02	159.75	129.92	147.91	159.75	111.42	112.91
Finland (26)	128.55	−1.1	105.44	112.23	1.50	129.98	105.71	112.22	139.83	106.78	108.80
France (131)	115.54	−0.1	94.77	110.56	2.92	115.64	94.05	109.29	115.64	72.77	85.24
West Germany (102)	89.69	−0.8	73.57	83.35	2.26	90.40	73.52	82.92	90.40	67.78	73.63
Hong Kong (46)	113.86	+1.2	93.39	114.14	4.33	112.56	91.54	112.82	113.86	84.90	94.27
Ireland (18)	129.72	−1.3	106.40	122.10	4.13	131.49	106.93	122.29	144.25	104.60	108.61
Italy (98)	86.02	−1.0	70.55	84.43	2.40	86.88	70.66	84.28	86.88	62.99	75.59
Japan (456)	192.77	−0.5	158.12	152.32	0.49	193.67	157.51	151.31	193.67	133.61	139.97
Malaysia (36)	143.35	−0.2	117.58	149.44	2.85	143.64	116.82	149.25	154.17	107.83	117.73
Mexico (13)	158.51	−1.5	130.02	396.27	1.29	160.85	130.81	402.54	182.24	90.07	100.52
Netherland (38)	112.79	−0.6	92.51	103.88	4.75	113.45	92.26	103.09	113.49	95.23	100.95
New Zealand (25)	68.53	+0.5	56.21	57.06	6.92	68.17	55.44	56.98	84.05	63.32	76.06
Norway (26)	145.02	+0.3	118.95	129.38	2.10	144.53	117.54	127.36	145.02	98.55	109.72
Singapore (26)	124.57	−0.6	102.18	111.39	2.39	125.35	101.94	111.89	135.89	97.99	106.64
South Africa (60)	117.78	+0.5	96.61	99.02	4.67	117.21	95.33	98.55	139.07	98.26	136.66
Spain (42)	147.30	−1.6	120.82	126.21	3.24	149.63	121.69	127.24	164.47	130.73	132.54
Sweden (35)	141.51	−0.5	116.07	128.89	2.22	142.24	115.68	128.03	144.97	96.92	99.13
Switzerland (57)	78.79	−1.2	64.63	74.20	2.29	79.76	64.86	74.05	86.75	74.13	82.37
United Kingdom (318)	135.19	−0.2	110.89	110.89	4.87	135.53	110.22	110.22	141.51	120.66	132.84
USA (572)	113.74	+1.4	93.30	113.74	3.66	112.13	91.19	112.13	115.55	99.19	105.42
Europe (1011)	115.00	−0.5	94.33	101.24	3.72	115.63	94.04	100.70	116.61	97.01	103.56
Nordic (126)	139.43	−0.3	114.36	123.53	2.06	139.91	113.78	122.43	–	–	–
Pacific Basin (679)	187.60	−0.4	153.88	148.94	0.71	188.43	153.25	148.03	188.43	130.81	136.72
Euro-Pacific (1690)	158.54	−0.5	130.04	130.04	1.60	159.28	129.54	129.28	159.28	120.36	123.50
North America (698)	114.38	+1.4	93.82	113.45	3.64	112.80	91.73	111.86	116.07	99.78	105.95
Europe Ex. UK (693)	102.12	−0.8	83.76	95.52	2.85	102.91	83.69	95.07	102.91	80.27	85.41
Pacific Ex. Japan (223)	125.85	+0.0	103.23	106.32	4.61	125.86	102.36	106.64	128.27	87.51	97.56
World Ex. US (1889)	156.99	−0.4	128.77	129.15	1.67	157.66	128.22	128.38	157.66	120.26	123.36
World Ex. UK (2143)	140.91	+0.2	115.58	125.30	2.02	140.69	114.42	124.22	140.91	111.77	114.78
World Ex. So. Af. (2401)	140.53	+0.1	115.27	124.09	2.25	140.36	114.15	123.04	140.53	113.26	116.25
World Ex. Japan (2005)	115.16	+0.6	94.46	108.93	3.72	114.47	93.09	107.85	115.54	100.00	105.10
The World Index (2461)	140.39	+0.1	115.15	123.92	2.26	140.22	114.03	122.88	140.39	113.37	116.39

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

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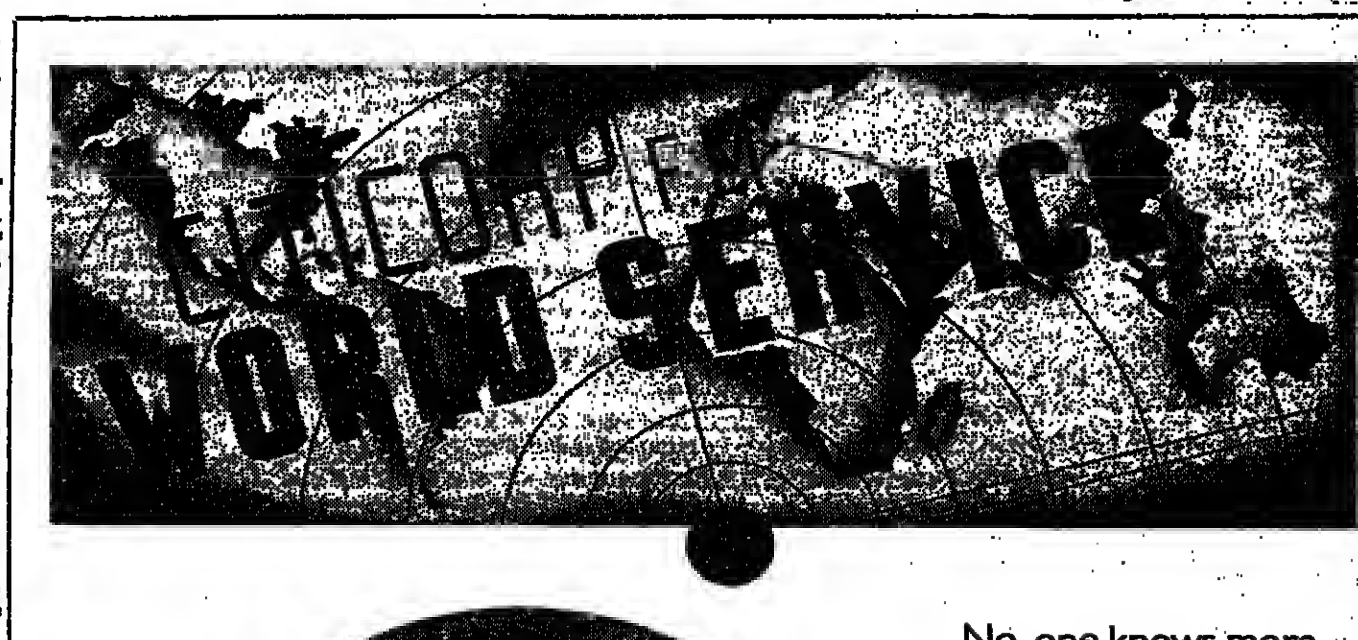

No-one knows more about U.S. EQUITY INVESTMENT than SCRIMGEOUR CITI-CORP (Investment Management) Ltd. Les Komaromy explains why.

This is the first in a series of articles, written specially for CITICORP F.M. WORLD SERVICE.

MANY listeners have written to me since we started our World Service, asking for more information about our US Equity expertise.

It's clear that a lot of you are now considering a more specialist approach by country – reconsidering the risk-versus-performance balance.

Well, let's face facts. Who's going to know more about the specialities of each market than us who are actually there on the ground?

And so who's going to know more about US Equities than the chaps in our New York office? We're not just part of the largest US bank, we've also $5 billion of US Equities under management.

Talking of management remember the all important asset allocation decision? How much have you done about which country, which investment route? Well, we've been keeping a close eye on things, and the picture's changed a fair bit across the water.

So it's as well we keep you up to date. Every six weeks all my internationally based colleagues fly into London to give us their view of local conditions in each of their own markets. That means we can pool our resources and come up with a truly Global Asset Allocation strategy. (Oh yes, and you could be getting our report every 3 months on a consultancy basis.)

Anyway, must dash, more of your letters to open.

So if you want to know more give me a ring on 01-234 24...

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